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Yugoslavia 43 ND

Iran Takes the Lead In Negotiating for Release of Hostages

Tehran Is Believed to Seek Role of Regional Power

By Patrick E. Tyler
New York Times Service

WASHINGTON — Iran's government, using secret intermediaries and shuttle diplomacy, has taken the lead in negotiating the terms and conditions for the release of the 10 remaining Western hostages held in Lebanon by pro-Iranian militants, high-level Western officials say.

The full mobilization of Iran's diplomatic corps in the negotiations now under way with Secretary-General Javier Pérez de Cuéllar of the United Nations suggests that President Hashemi Rafsanjani of Iran may have overcome the powerful opposition in his government to forcing a resolution of the hostage crisis, these officials say.

The presence of senior Iranian officials in the three-way talks with Mr. Pérez de Cuéllar and Israeli negotiators also indicates that Syria is playing a secondary role, although Damascus is supporting Tehran's initiative and providing security in Lebanon.

But Iran faces daunting obstacles of diplomacy and local politics in Lebanon before it can claim success, according to U.S. officials, who note the unresolved demands of the Lebanese kidnappers and of Israeli officials who are bargaining for the return of seven missing servicemen. Calls by Shiite Muslim clerics and Iranian officials for Israel to make an early gesture of goodwill to match the recent releases of John McCarthy and Edward Austin Tracy reflect the intense pressures on the negotiations.

Western officials, seeking to understand why Iran's long-stalemated leadership has finally decided to move forcefully on the hostage front, have concluded from their discussions with senior Iranians that Tehran was compelled to break out of its isolation paradoxically because the Gulf war thoroughly undermined its longtime rival, Iraq, as a regional power.

If Iran's moribund economy and desperate need for Western investment and technology were not incentive enough, the allied defeat of President Saddam Hussein of Iraq and the prospect of a Middle East peace conference this fall featuring the first face-to-face peace talks between Israel and its Arab enemies have presented Iran's leaders with a fundamental choice, these officials said.

Tehran could remain isolated, threatened by growing domestic unrest, or its leaders could seize an opportunity to supplant Iraq as the region's dominant power by re-engaging the West and throwing itself back into the regional politics now dominated by Egypt, Syria and Saudi Arabia, said Western officials interviewed in the United States and Europe.

A reconstruction of events leading up to the efforts of UN officials to bridge differences between the kidnappers and Israel shows that senior Iranian envoys, particularly the chief Iranian delegate to the United Nations, Kamal Kharrazi, have assumed pivotal roles.

The earliest word that two hostages would be released this month came from a series of diplomatic messages by Tehran. One of the first occurred in a meeting in Bonn in early August between Hossein Mousavian, Iran's ambassador to Germany, and Hans-Dietrich Genscher, Germany's foreign minister.

Mr. Mousavian's message that a hostage breakthrough was imminent prompted Mr. Genscher to brief British and American officials. As he was doing so, Iranian Foreign Ministry officials in Tehran called in the British chargé d'affaires, David N. Reddaway, and a Swiss diplomat to give them

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The Associated Press

Kabul Begins an Exchange of Prisoners of War

Five of the six Afghan guerrillas who were freed by the Kabul government in exchange for a Soviet prisoner of war, Qurban Ali Tashrifov, waiting Sunday in the airport in Peshawar, Pakistan, where they were flown from Kabul by the Red Cross. After Nikolai Kozyrev, the Russian Republic's foreign minister, met the guerrillas last week in Islamabad, the Kabul government agreed to free 25 imprisoned guerrillas. The exchange was part of efforts to bring an end to the 13-year war.

For Gorbachev, the Treaty Week Begins

By Francis X. Clines
New York Times Service

MOSCOW — The Soviet struggle for national reconstruction will deepen this week when the first of the major republics signs a treaty with President Mikhail S. Gorbachev that vows to inter the old organs of central dictatorship and shift constitutional power to the provincial grass roots.

The new union treaty's projected effects would introduce a popularly elected president, heavily sovereign republics, and a checks-and-balances system of government in a country that would shed the unpopular "socialist" label and become the Union of Soviet Sovereign Republics.

With the first three republic signatures expected Tuesday, doubters and supporters abound, and the seeds for fresh political struggle clearly are being sown.

Some of the leading figures of the political opposition and leftist intelligentsia are demanding time for a far fuller public debate and even referendum on the treaty, which is basically an omnibus political compromise negotiated with Mr. Gorbachev in private by the chief executives of 9 of the 15 Soviet republics.

In particular, critics are contending that the draft will ultimately bolster central powers and that it could harm the integrity of the Russian Republic, the key to the treaty as the union's dominant republic, by inviting Russia's own 16 autonomous republics to seek greater sovereignty themselves.

But President Boris N. Yeltsin of the Russian Republic, the chief figure in fashioning the compromise treaty with Mr. Gorbachev, is steadfast in insisting it is urgent to have it in place as a blueprint for economic and constitutional reconstruction before another winter of political crisis arrives.

Mr. Yeltsin is taking criticism from some of his fellow progressives, such as Yuri N. Afanasiev, a historian and former Communist who complains that the treaty exercise lacks the consent of the governed by largely bypassing the legislative level of government.

At the same time, President Gorbachev is the focus of warnings from anxious government careerists and ideological hard-liners who see their traditional roots of central power about to wither.

The Soviet prime minister, Valentin S. Pavlov, is warning that the central government, despite seven decades of economic rule that has left the nation in crisis, must retain significant controls or else a "power vacuum" will engulf the country because Russia and the other republics are unprepared for running the economy.

Mr. Yeltsin is showing no such hesitancy about a decentralized future. He is insisting that Mr. Gorbachev has promised to quickly follow up Russia's treaty enlistment Tuesday with a special decree turning over control of Russian resources to the republic as part of the treaty's sovereignty provisions.

The treaty, cobbled together in four months of hard bargaining over the remains of commu-

See MOSCOW, Page 5

5 Top Officers Leave Salomon As Buffett Takes Control of Firm

By Lawrence Malkin
International Herald Tribune

NEW YORK — Warren E. Buffett, one of the most respected private investors in America, took control of Salomon Brothers Inc. as chairman Sunday, and he quickly talked the U.S. Treasury secretary out of a ban on the firm's participation in government bond auctions.

Salomon jettisoned its chairman and four other top executives Sunday because of a scandal involving the firm's attempts to corner the market in Treasury bonds at several recent auctions.

Mr. Buffett is taking over from John Gutfreund, whose trading skills animated the Salomon during the 1980s.

Berkshire Hathaway Inc., a holding company of which Mr. Buffett also is chairman, owns a 14 percent stake in Salomon. Moving to protect that investment, Mr. Buffett said he would serve as interim chairman while Salomon tried to regain its reputation.

To help him "clean up the sins of the past and capitalize on the assets of the firm," Mr. Buffett said, he appointed Deryck Maughan as Salomon's president and chief operating officer. Mr. Maughan, 43, was head of Salomon's Asian operations for five years and was appointed co-chairman of the firm's investment-banking department in New York.

The straight-laced and poker-faced former British Treasury official was chosen over about a dozen other Salomon senior insiders to enact controls on Salomon's free-wheeling traders. The controls had been voted by the board and discussed with Treasury Secretary Nicholas F. Brady in several phone calls from Mr. Buffett on Sunday.

The Treasury suspended the firm from its auctions Sunday morning because of attempts by Salomon to corner government securities markets, but it partly rescinded the decision following the announcement that Mr. Gutfreund and the four other executives would leave the firm.

Mr. Brady relented to the degree of allowing the firm to join in the auctions, but only to buy bonds for its own inventory and not on behalf of clients. The essence of Salomon's auction rule violations was that it tried to corner the market during three Treasury auctions by submitting the names of customers who had not put in orders.

The firm remains under investigation by the Treasury, the Federal Reserve Board and the Securities and Exchange Commission.

The aim of the Treasury ruling was to restrict Salomon's government bond business to maintain confidence in the honesty of the market that depends heavily on the trust of the public as well as among the dealers themselves.

Along with Mr. Gutfreund's resignation came those of Thomas W. Strauss, the firm's former president, and John Meriwether, who was named head of the government bond department earlier this month as the scandal unfolded.

Salomon also dismissed two other executives who were directly involved with the market-cornering activity, in which the firm bid for more than the 35 percent maximum amount at three auctions. The two, who previously had been suspended, were Thomas Murphy, head of the government securities trading desk, and Paul Mozer, who had responsibility for foreign exchange trading. Mr. Murphy is chairman of the committee on government trading practices of the Public Securities Association, the dealers trade group.

Recounting what he had been told since taking over at Salomon, Mr. Buffett said at a news conference Sunday that Mr. Meriwether was approached by Mr. Mozer and

See SCANDAL, Page 9

Yugoslav Armor And More Troops Cross Into Croatia

Compiled by Our Staff From Dispatches

BELGRADE — Federal army tanks and reinforcements crossed a river into Croatia on Sunday, joining army troops massing in a strategic Yugoslav area where ethnic Serbian guerrillas are fighting for unchallenged control.

The army units reinforced positions on approach roads leading to Okucani, a town populated by Serbs in which there was fierce fighting Saturday and where several people were reported killed.

Croatia said its forces, which controlled much of the area around the town of 5,000 people, would repel any attack.

"I want to say clearly and loudly: I am not going to give up Okucani," the Croatian interior minister, Ivan Vekic, said on Zagreb television in a warning to both the army and the Serbs.

Yugoslavia's leaders issued an appeal for peace late Saturday after meeting to discuss the clashes, and the head of the federal presidency, Stipe Mesic of Croatia, threatened to resign if a firm truce was not reached in the breakaway republic.

Police said Sunday that tension was high in the Western Slavonia region, about 120 kilometers (75 miles) east of Zagreb, but that there had been no resumption of hostilities.

A photographer who went to the outskirts of Okucani said at least 200 heavily armed Croatian national guardsmen had sealed off the town.

Two jets strafed Croatian positions at the nearby town of Stara Gradiska on Saturday, fueling Croatia's suspicions that the Serbian-dominated army was helping the guerrillas.

Federal army tanks crossed into Croatia from Bosnia-Herzgovina on Sunday on pontoon bridges over the Sava River and moved from Stara Gradiska toward Okucani, 16 kilometers away.

In another part of Croatia, the guerrilla commander in the Serbian stronghold of Krajina, gave police at Kijevo, near Knin, a 48-hour deadline to pull out or face "total devastation," the official Tanjug press agency reported.

The army maintains that it is bolstering forces in the border region southeast of Zagreb to quell clashes between Croatian troops and ethnic Serbian militiamen opposed to secession.

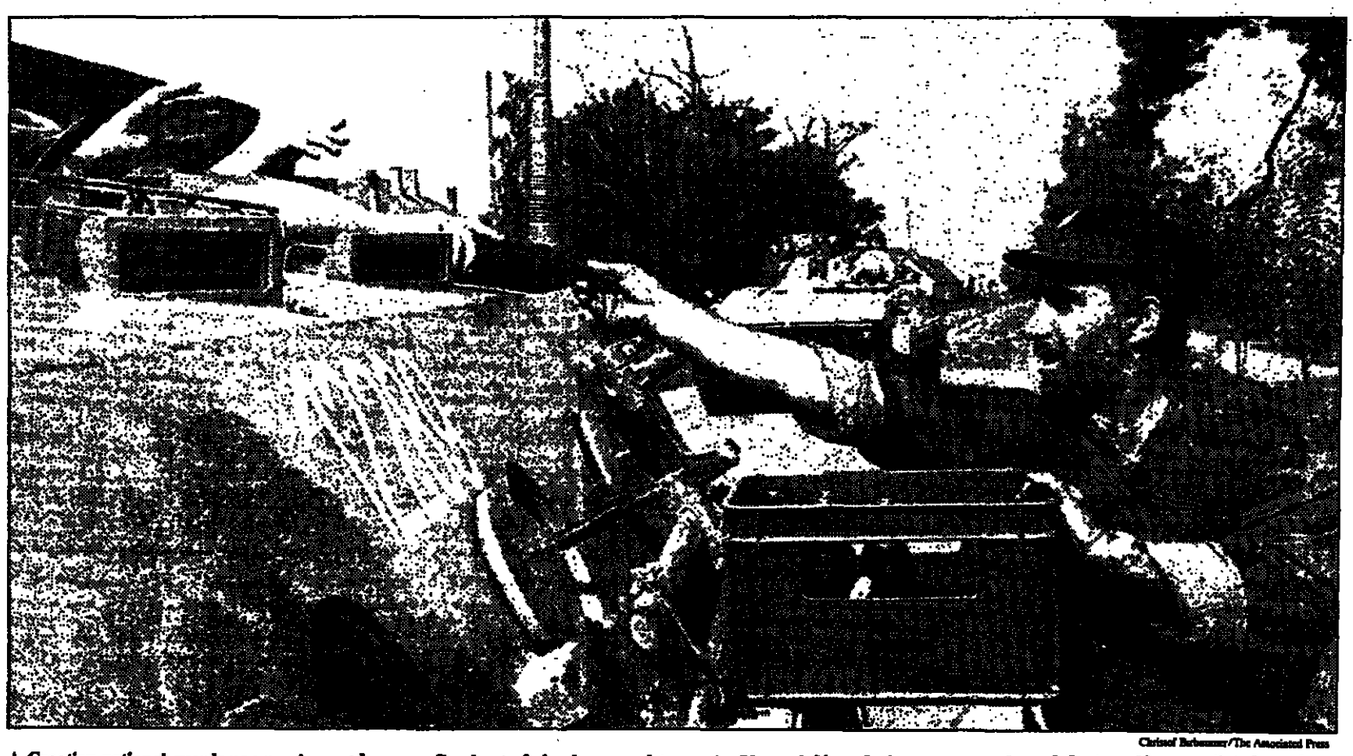
The fighting in Okucani and the Sava River region is the latest flare-up to strain the cease-fire accords reached on Aug. 7.

More than 200 people have been killed in Croatia in clashes between Serbs and Croats, the two biggest ethnic groups, since Croatia and Slovenia declared independence from the Yugoslav state on June 25.

The guerrillas say they are defending the wish of Croatia's 600,000-member Serbian minority to stay in the federation.

But Croatia says the Serbs are

See CONFLICT, Page 5



Christof Berkemeier/The Associated Press

A Croatian national guardsman passing out beers on Sunday to federal armored troops in Okucani, Yugoslavia, as commanders of the two sides negotiated nearby.

Across Bering Strait, 'Friendship, Sex,' No Trade

By Michael Dobbs
Washington Post Service

PROVIDENIYA, U.S.S.R. — Hilltop silos that once housed missiles aimed at the United States are now deserted. The starkly desolate tundra has become a vast junkyard for the debris of the Cold War: abandoned military barracks, rusting tanks and faded propaganda billboards.

"For years, this place seemed like the end of the earth," said Mikhail Kozakiewich, a former Communist Party apparatchik in Provideniya, a settlement of several thousand people on the eastern tip of the Soviet Union opposite Alaska. "We had no idea what life in America was like. We were told that Americans were our enemies. But now we have got to know them, we discover that we have many friends over there."

What used to be one of the most impenetrable and best-defended borders in the world is now remarkably porous. American tourists are a familiar sight in the unpaved streets of Provideniya. Hundreds of Provideniyans have visited Nome, Alaska, returning home laden with VCRs, jeans and baseball caps. The local broadcasting tower retransmits Anchorage television; Soviet teenagers have become addicted to American soap operas and game shows. There are plans for a U.S.-Soviet national park across the Bering Strait.

In short, Provideniya has taken advantage of its geographical position just 50 kilometers (about 30 miles) from U.S. coastal waters to become the Soviet Union's gateway to Alaska and a symbol of a new era in superpower relations.

But this grim Siberian outpost is rapidly becoming a symbol of something else: the mounting disillusionment felt by many over the absence of real economic change in the Soviet Union.

"Unfortunately, we have been unable to break through what I call the friendship-and-sex barrier," said Jim Stimpfle, a Nome real estate agent and pioneer of Bering Strait diplomacy. "It's so darn frustrating. We have come to a standstill.

"As long as the ruble remains unconvertible, and the Soviets keep changing the rules for economic cooperation with foreigners, the only thing that can happen between us is friendship and sex."

The opening up of the Soviet Far East has excited the interest of Americans, particularly on the West Coast. For decades, the Soviet region was synonymous with the

See FRONTIER, Page 4

Some Call For Tighter Regulation

By Floyd Norris
New York Times Service

NEW YORK — The violations and resignations at Salomon Brothers have focused attention on the huge but little understood and lightly regulated market for U.S. government bonds, and generated calls for its tighter regulation.

The abuses Salomon committed took place in an important corner of the market, the when-issued market in which new Treasury securities, which finance the govern-

NEWS ANALYSIS

ment's growing debt, are traded even before they are sold by the government. That presale trading helps ensure that the bonds slide easily into the marketplace when they do arrive.

The Treasury market dwarfs most others in size, with more than $2 trillion in bonds outstanding and more than $100 billion traded each day.

Many of those buying and selling bonds are large institutions, including pension funds, insurance companies and mutual funds. The main dealers in the market are large investment houses and banks.

Because there is no risk of default by the bond issuer, this market has largely escaped the extensive regulation of others.

But Representative Edward J. Markey, Democrat of Massachusetts, said the Salomon scandal "underscores the need for improvements in regulation." Mr. Markey is chairman of the House subcommittee on telecommunications and finance.

The Treasury Department conducts auctions of its bills, of up to a year; notes, of up to 10 years, and bonds, generally up to 30 years.

Dealers interested in buying

See FIRM, Page 9

Kiosk

Bush Rebuffs Abortion Protesters

KENNEBUNKPORT, Maine (WP) — President George Bush refused Sunday to see leaders of a militant anti-abortion group and repeated his call for the demonstrators to obey the law.

"I'm trying to get a vacation here," Mr. Bush said of his refusal to meet with Randall Terry and other leaders of Operation Rescue, the group that has violated a federal judge's order in blocking entrances to abortion clinics in Wichita, Kansas. The president on Saturday had expressed his disapproval of the tactics of the group. "I think breaking the law is excessive," he said.

General News

A new cabinet in Hanoi has improved the prospects for Cambodian peace. Page 2.

Reversing itself, Rome deports the Albanians. Page 5.

Crossword Page 14.

Six weeks in the life of Ulster: From peace efforts to sectarian carnage. Page 4.

Business/Finance

Further gains by the dollar are likely to run into selling by central banks. Page 7.

Faxes, Pagers and Modems Put Crunch on Phone Numbers

By John Markoff
New York Times Service

NEW YORK — The United States is rapidly running out of telephone numbers.

As facsimile machines, cellular phones, pocket pagers, computer modems and business telephones proliferate, the supply of unassigned numbers is being exhausted in the area codes serving the largest American cities, like 212 for the New York boroughs of Manhattan and the Bronx and 213 for Los Angeles.

When that happened in the past, an area code was split into two, based on geography, but today only three unallocated area codes remain: 210, 810 and 910, and they may not be enough to satisfy the booming demand.

Yet they must last until July 1995, when a new numbering plan is scheduled to take effect, telephone industry executives say. The expansion cannot take place until then because all of the nation's telephone switches must be reprogrammed — a complex and time-consuming task.

"You have four full years to go," said Frank J. Saletel, director of major-market access planning for New York Telephone Company. "There could be some areas of the country that may have to resort to rationing their delivery of numbers."

The change in the numbering system is being planned by Bellcore, the telephone industry research organization responsible for allocating phone numbers in North America. It will permit the creation of area codes that do not have a "0" or a "1" as the middle digit.

Computerized telephone switching equipment currently looks at the second digit of an area code to determine whether a long-distance call is being made.

Some telephone industry executives say the needed changes may be costly and frustrating and will require many callers to dial 11 digits, rather than 7, even when calling a neighbor in the same area code.

They also say the change will be difficult for the telephone companies and create serious problems for businesses.

Bellcore cannot enforce standards, but can only recommend changes to individual state public utility commissions.

So far the Bellcore plan has been put in place in 23 area codes. In about half of those, callers now are required to dial "1" plus their own area code before the number, while the others just have to dial the number.

A number of alternative solutions are being pro-

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هكذا من الأصل

Burma's Junta Hinders U.S. Battle Against Asian Heroin

The United States is a major target for syndicates that smuggle heroin from Asia. After a recent tour of the region, Melvyn Levitsky, assistant secretary of state for international narcotics matters, discussed the trafficking problem with Michael Richardson of the International Herald Tribune.

Q. Is the flow of heroin from Southeast Asia to the U.S., Europe and other Western nations getting out of hand?

A. No. But there has been a rather startling increase in the amount of Asian heroin entering the U.S. and that causes us a great deal of concern. Four or five years ago, about 15 percent of the heroin that came to the U.S. was from Southeast Asia. Today, the proportion is well over 50 percent, and may be verging on 60 percent.

Q. Have Asian trafficking syndicates taken over from the Mafia in handling the heroin trade in the U.S.?

A. They have not taken over but they have become a much more important part of the trade, particularly Chinese gangs on the East Coast and increasingly on the West Coast. The Asian connections to ethnic Chinese groups in the U.S. are quite clear.

Q. Most of the Southeast Asian heroin reaching the U.S. comes from Burma. Yet the U.S. halted its narcotics suppression program with Burma in 1988 in protest at repression of the democracy movement by the Burmese military. Isn't U.S. retaliation, in effect, increasing the outflow of heroin?

MONDAY Q&A

A. I would point out that when the military in Burma seized power and cracked down on the students, they also dropped their drug control efforts to concentrate on restoring order through repressive measures. So it was not U.S. action that led to the halt in Burmese narcotics control. In fact for a while, we kept our program for Burma in neutral gear, waiting to see what would happen. Only when it became clear that the Burmese military had no interest in controlling the flow of drugs did we cut off our assistance program.

In the last three years or so, annual production of opium in Burma has about doubled to more than 2,000 metric tons, and perhaps to as much as 2,500 tons. That is enough to produce between 200 and 250 tons of heroin. Not all of this opium is necessarily turned into heroin. But it is an incredibly large amount that is available for international markets.

Some of the increase in opium production in Burma is from areas that are not controlled by the central government, particularly border regions near Thailand and China. But much of the increase has come from areas that are under government control.

What we have also seen is that ethnic minority groups that the Burmese authorities favor are apparently allowed to go about their narcotics business unhindered. The Burmese authorities are using one ethnic minority group against another in trying to gain control of areas they don't now control.

Q. Is there evidence that the Burmese military profits from the trade in opium and heroin?

A. Certainly some elements of the military have profited and so have some other Burmese officials. But I cannot say that it is the policy of the Burmese government that the army skim off drug profits as a way of supporting itself. There are instances, obviously, of corruption. However, at least a certain amount of the trafficking is officially condoned and may even be encouraged.

•

Q. How does the U.S. justify narcotics cooperation with China following the suppression of the Chinese democracy movement in 1989, but not with Burma?

A. We justify the cooperation in sharing information and training Chinese officials because the policy of the Chinese government is to try to stem narcotics production. In contrast to Burma, we have no evidence that the Chinese authorities are trying to encourage or condone the narcotics trade.

In fact, they have been expressing increasing concern about growing drug addiction in China and a rise in AIDS as a result of the flow of opium, particularly heroin, through China. Much of it comes from Burma. So the U.S. and China have a policy that converges. We want to stop the flow of narcotics.

Q. The U.S. has called for a cooperative program with Asia Pacific nations to attack the narcotics trade. What form would such cooperation take?

A. To get at the international trade, we need to exchange more information about how the heroin flows, what organizations are involved, and how best we can make cases against major traffickers, whether they are in the U.S. or in other countries. We must break up these organizations and harass them to make their operations more difficult. We also want to see more joint training and better communication between narcotics control units throughout the Asia Pacific region.

We should build a more effective international coalition against the drug trade by attacking such practices as money laundering and by controlling precursor chemicals, without which the drugs cannot be produced. Attacking the drug barons' money and their ability to get chemicals can put a real crimp in their operations.

Cabinet Shift in Vietnam Could Improve Relations With U.S.

By Clifford Krauss
New York Times Service

WASHINGTON — A major cabinet reorganization in Vietnam has improved the prospects for settling the Cambodian civil war and accelerating the thaw in relations with Washington, senior administration officials say.

U.S. officials expressed hope that the changes in the cabinet would reduce tensions between Vietnam and China, particularly since the departing officials include Foreign Minister Nguyen Co Thach, who has long been hostile to Beijing.

They say a reconciliation between China and Vietnam should help the two rivals reach a settlement in their proxy war in Cambodia, which in turn would meet the most important condition set by the United States for opening full diplomatic relations with Vietnam.

"The road to a comprehensive settlement in Cambodia and a normalization of relations with Vietnam is open," said a senior administration official who monitors Asia. "This is the beginning of the coming to power of a new generation in Hanoi."

Administration officials note that four of Vietnam's seven new ministers are from the south and have been associated with efforts toward economic liberalization.

The officials say they believe the new cabinet reflects a decision by the Communist Party Politburo to emulate the Chinese model, expanding private enterprise while maintaining tight, centralized control over politics.

The new prime minister, Vo Van Kiet, declared soon after his election Aug. 9 by the National Assembly that Hanoi and Washington must put the Vietnam War behind them by quickly opening relations. As a token of his commitment, he promised to press the search for American servicemen who are still unaccounted for.

The State Department publicly shrugged off Mr. Kiet's plea and demanded that Vietnam withdraw its 5,000 advisers from Cambodia as part of a peace settlement there.

But senior administration officials have privately praised Mr. Kiet as a practical advocate of change who would work with the new ministers of trade and state planning to encourage private enterprise and open the way for loans from the World Bank and the International Monetary Fund.

Washington has blocked any agreements between Vietnam and the lending institutions. But a change in that policy is now being weighed as a gesture of appreciation for Hanoi's decision to let the Pentagon open an office in the Vietnamese capital last month to search for American servicemen missing since the Vietnam War.

■ Kerry Opposes Embargo

Lifting the economic embargo against Vietnam would bolster efforts to account for the American servicemen still missing 16 years after the war, Senator John F. Kerry said Sunday in Hanoi, Agence France-Presse reported.

Mr. Kerry, Democrat of Massachusetts, who heads a new Senate committee on the missing in action and prisoner of war, spoke between meetings here with U.S. and Vietnamese officials in charge of search efforts.

"Resolution of the MIA/POW issue would be greatly enhanced by lifting the embargo," said Mr. Kerry, a naval officer who served in Vietnam in 1969 and later was a organizer of Vietnam Veterans Against the War.



Gill Allen/The Associated Press

John McCarthy waving a bouquet as he ended nine days of medical tests at a Royal Air Force base near London.

Tehran Talks Fan Hostage Speculation

Compiled by Our Staff From Dispatches

TEHRAN — President Hashemi Rafsanjani met in the Iranian capital Sunday with a delegation of senior leaders from the pro-Iranian Lebanese Shiite movement Hezbollah for discussions believed to have focused on the possibility of release for Western hostages in Lebanon.

The talks were held the day after a Swiss envoy believed sent by the United Nations chief was in Tehran. They heightened speculation that plans for an international prisoner exchange were moving forward.

The Swiss Foreign Ministry said Sunday that Klaus Jacobi, deputy foreign minister, was in Tehran on Saturday to discuss the hostage issue, the day the Hezbollah leaders arrived from Beirut.

A United Nations source said Mr. Jacobi had made the trip on behalf of the UN secretary-general, Javier Pérez de Cuéllar, who said last week after talks with Israeli negotiators that he was "very, very hopeful" of a deal.

The official Iranian press agency, IRNA, said the secretary-general of Hezbollah, Syed Abbas Musavi, met President Hashemi Rafsanjani on Sunday and presented "a report of the current state of affairs in Lebanon."

Foreign Minister Ali Akbar Velayati, who met with Mr. Jacobi on Saturday, was also present.

Mr. Velayati told representatives of the European Parliament in a separate meeting on Sunday that pressure had to be put on Israel to free Lebanese and Palestinians.

Islamic Jihad, the Lebanese kidnapper of several Westerners, proposed a swap in a letter to Mr. Pérez de Cuéllar delivered by its freed British hostage, John McCarthy, 10 days ago. Another group freed an American, Edward Austin Tracy, on Aug. 11.

The UN chief seeks an exchange of 10 Westerners, who have been held for as long as 6 years, for nearly 400 Arabs captured from Lebanon and imprisoned without trial by Israel or its south Lebanon militia allies.

Israel says it is willing to deal provided it gets proof of the fate of seven servicemen missing for as long as nine years in Lebanon and provided those still alive are returned.

President George Bush said Sunday that he remained optimistic.

In Beirut, a senior Muslim fundamentalist source said Sunday that Iran and Germany had reached a "gentlemen's agreement" under which two German hostages in Lebanon would be freed as part of a wider prisoner exchange.

The two German hostages have been linked to Muslim brothers, Mohammad Ali and Abbas Hamadi, convicted in Germany of hijacking, kidnapping and murder. The source, who requested anonymity, said Bonn had indicated that it would pardon the brothers several months after the Germans were released. *(AFP, Reuters)*

IRAN: *Shuttle Diplomacy on Hostage Release Breaks Tehran's Isolation*

(Continued from Page 1)

the same message: Two hostages, one British and one American, would be released as a gesture of goodwill.

The messages were just being absorbed when, on Aug. 6, the kidnappers who hold Terry A. Anderson and Thomas M. Sutherland, both Americans, issued a communiqué asserting that they were sending an "envoy" within 48 hours to meet with Mr. Pérez de Cuéllar. At the same time, the Tehran Times, an English-language newspaper that is close to the Foreign Ministry and was once edited by Mr. Mousavian, reported that an American and a British hostage would be released by the end of the week.

Within hours of these public developments, Mr. Kharrazi, Iran's UN delegate, began a series of secret visits to the UN Secretariat for long and detailed consultations with Mr. Pérez de Cuéllar, Western officials said. From this point onward, the secretary-general dealt exclusively with Iranian government officials on matters dealing with the Lebanese kidnappers' demands, Western officials said.

Mr. Kharrazi returned to the secretary-general's offices several times on Aug. 7, and, after a marathon meeting that began that evening, Mr. Pérez de Cuéllar instructed his principal aide, Giandomenico Picco, to leave the next morning for Damascus and Beirut.

Mr. McCarthy's emergence, with a letter from the kidnappers for Mr. Pérez de Cuéllar, set up the meeting between the freed hostage and the secretary-general on Aug. 11 at an air base in Lyneham, near London. The secretary-general returned to Geneva expressing disappointment that the letter lacked the kind of diplomatic specificity needed to formulate a deal between the kidnappers and Israel.

Still, Mr. McCarthy told Mr. Pérez de Cuéllar of more specific terms that the kidnappers had in mind for a trade: all of the Western hostages in return for Sheikh Abdel Karim Obeid, who was abducted in an Israeli commando raid in July 1989, and about 400 Lebanese and Palestinian detainees in Israel's detention camp at Khiam.

The next day, Mr. Kharrazi appeared in Geneva saying he was carrying instructions indicating that Tehran believed that it could secure the release of all 10 Western hostages in exchange for Sheikh Obeid and the prisoners at Khiam.

At the Geneva meeting, Mr. Kharrazi also reported that, despite statements by various groups claiming to hold Israelis or their remains in Lebanon, Iran could account for only two of the seven missing, and that both were dead. Iran, he said, could guarantee the return of the remains.

On another difficult point, Mr. Kharrazi said that Iran understood the legal problems in securing the release of terrorism suspects in European jails. But the Iranians suggested that the governments holding Lebanese prisoners could make public statements about the terms of their sentences and prospects for parole.

As Iran weighed the reaction of the United States and Israel to the releases of Mr. McCarthy and Mr. Tracy, the secretary-general met with Israel's hostage negotiator, Uri Lubrani, who made it clear that Israel would agree to release Arab detainees at Khiam, including Sheikh Obeid, but would not act until it received authoritative word on its seven servicemen.

After a second meeting with the Israeli team on Thursday, Mr. Pérez de Cuéllar initiated a direct contact with Tehran to report on the results. In a telephone call from Geneva to Mr. Kharrazi in the Iranian capital, the secretary-general relayed the information the Israelis said they required.

With an Iranian investigation into the data sought by the Israelis apparently under way at the end of the week, the hostage diplomacy came to a pause. Western officials said the secretary-general left for a vacation in Portugal with hopes that by the time he returns to Geneva, on Aug. 25, the "process" he started will have borne fruit.



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For Israeli Settlers In Golan Heights, Unsettling Prospect

By Jackson Diehl
Washington Post Service

KATZRIN, Golan Heights — For the first time in years, there are signs of new life in this small town of Israelis on the rocky stretch of territory that Israel captured from Syria in 1967.

Rows of apartment houses are under construction near the city hall, along with a new shopping mall. Israelis and Soviet immigrants, city officials say, are lined up to move in. And government ministers, parliamentary deputies and even military leaders are racing to tour the area, making up for years of benign neglect.

As Israel approaches possible peace negotiations with Syria this fall, the 11,000 Israeli settlers in the Golan Heights and their allies in the government of Prime Minister Yitzhak Shamir are striving to create the impression that the country is unshakably committed to this 1,300-square-kilometer (500-square-mile) strip overlooking the Sea of Galilee and northern Israel.

Still, uncertainty lies just behind the settlers' determined facade. Despite all the oratory, many Jews here say Israel may eventually succumb to U.S. pressure at the proposed peace conference and meet Syria's demand to trade the Golan for peace.

"We don't sleep. We are worried," said Udi Margalit, a municipal accountant. "Some more than others, maybe, but we are worried. Sure, everyone says now that we can't give up the Golan. But opinions can change very quickly. It's very easy to convince Israelis with slogans and images of the ideal peace."

The settlers' disquiet reflects a broader contradiction in Israeli opinion as the country approaches the peace conference, which Presidents George Bush and Mikhail S. Gorbachev have called for October.

On one hand, polls show that a huge majority of Israelis, as many as 90 percent in some surveys, believe their government should attend the talks, which will include separate, bilateral negotiations with Syria, Lebanon and a Jordanian-Palestinian delegation.

At the same time, large majorities of Israelis also have been telling poll-takers that the country should not yield the Golan to Syria, despite the "land for peace" formula being pressed on Israel by all sides. That attitude suggests to some analysts that the country has not yet faced the reality that it may have to choose between the Golan and the peace process.

"The fact is we are going to talk to Syria," said Mr. Margalit, who moved to the Golan after losing a leg here in the fighting between Israel and Syria during the 1973 war. "What are they going to talk about? Surely not the weather. Of course it will be the Golan, because Syria is going to want it back."

For now, the national consensus against territorial concession appears strong. In addition to repeated pledges by Mr. Shamir that he will not yield an inch of occupied territory, the Golan Heights settlers have induced 69 of the 120 members of the Israeli Knesset, or parliament, to sign a statement saying they will oppose any change in the Golan's status.

The opposition Labor Party, which supports the surrender of territory for peace in the occupied West Bank and Gaza Strip, is divided on the issue of the Golan. The party leader, Shimon Peres, says there is "room for compromise," but the party's right wing, led by Yitzhak Rabin and Mordechai Gur, says no part of the territory can be given up.

Conversations with Golan settlers often turn to Israel's peace negotiations with Egypt in the 1970s, which began with a defiant vow by Menachem Begin, then the prime minister, that he would retire to an Israeli settlement in the occupied Sinai Peninsula.

Then, too, initial polls showed that Israelis were reluctant to return the entire area. Yet in the end, all of the Egyptian land was surrendered, and the army was called out to evict the settlers whom Mr. Begin had promised to join.

Despite the seemingly strong political consensus about the Golan, there are weaknesses in Israel's attachment to it, settlers note. As in the case of the Sinai, few Israelis feel a religious or historical commitment to the land. Most are eager to make peace with Syria, which for years has been seen as the biggest Arab threat to Israel.

And many Israeli military experts maintain that the security issue could be resolved by demilitarizing the territory and posting a U.S.-led peacekeeping force there, as was done in the Sinai, in accordance with the Camp David agreement with Egypt.

The Golan's most notable characteristic is a towering ridge that looms over Israel's major water source, the Sea of Galilee, as well as some of its richest farmland in the nearby Hula Valley.

Before 1967, disputes over Israeli settlement of contested border areas, water projects, and fishing rights in the Sea of Galilee touched off regular clashes in which Syrian artillery on the ridge shelled Israeli farms near the frontier.

"It simply makes no sense to allow the Syrians to come back on the ridge and be tempted, looking down at us," says Sammy Bar Lev, the mayor of Katzrin. "It would create the opposite of stability; it would simply lead to another war, as it did in 1967."

Baghdad Asserts Its 6-Month Loss Is $17 Billion

Compiled by Our Staff From Dispatches

BAGHDAD — Iraq said Sunday that it had lost $17 billion during the first six months of the United Nations trade embargo imposed after its invasion of Kuwait a year ago.

Planning Minister Samal Majid Faraj was quoted by INA, the Iraqi press agency, as saying that $10 billion had been lost in the months leading up to the Gulf war through the ban on Iraqi oil exports.

Another $7 billion was lost because of production losses at factories, which were unable to import raw materials or to export their goods, he said.

Meanwhile, Kuwaiti officials said Sunday that Iraq had returned gold bullion worth about $700 million that had been looted from the central bank. They said the last of 3,216 bars of gold was handed over at a Saudi border post.

WORLD BRIEFS

North Carolina Braces for Hurricane

MANTEO, North Carolina (AP) — Residents secured their property in North Carolina's coastal resorts Sunday and joined an exodus of tourists and beach goers fleeing to higher ground as a hurricane churned northward toward the coast.

Forecasters posted coastal alerts from North Carolina to Massachusetts and said the eye of the Atlantic season's first hurricane, with winds of about 100 miles per hour (160 kilometers per hour), was expected to move over shore late Sunday night or early Monday. North Carolina authorities reported heavy rain and bumper-to-bumper traffic as offshore island residents and tourists heeded emergency calls to evacuate.

A tornado was spotted in southeast North Carolina on Sunday as the storm began to move in, the National Weather Service said. No damage was reported. At 3 P.M. EDT, the hurricane was centered over the Atlantic near 33.1 degrees north latitude and 76.3 degrees west longitude, or about 150 miles south-southwest of Cape Hatteras. It was moving north at 15 miles per hour, and was expected to strengthen by Monday.

Arrest of 3 Palestinians Is Demanded

JERUSALEM (Reuters) — Two members of the Israeli government demanded Sunday that three Palestinians from the occupied territories be arrested for meeting officials of the Palestine Liberation Organization in London, but a senior minister played down the issue.

Faisal Husseini, Hanan Ashrawi and Zakaria Agha, the Palestinian leaders, met Saturday and Sunday in London with the PLO officials. Israel bars contact with the PLO. The three men conferred with Secretary of State James A. Baker 3d during his last peace mission to Jerusalem, and the London talks may determine whether the Palestinians will attend a Middle East peace conference.

Science Minister Yuval Neeman and Religion Minister Avner Shaki demanded that the three be arrested. Prime Minister Yitzhak Shamir's office refused to comment on the meetings, but Health Minister Ehud Olmert, who is close to Mr. Shamir and often speaks for the government after the weekly cabinet meeting, indicated that any such action would be counterproductive.

Barge Rescuers in Asia Find 2 Bodies

HONG KONG (UPI) — Search and rescue officials said Sunday that they had recovered the bodies of two divers trapped in a decompression chamber when an oil construction barge sank four days ago, killing 15 people.

The authorities said, however, that there was little hope of finding more survivors from the American-owned barge, which sank 65 miles (about 100 kilometers) east of Hong Kong on Thursday during a typhoon.

Of the 195 oil workers and crew aboard the Panama-registered barge, 174 were saved Thursday by helicopters of the Royal Hong Kong Auxiliary Air Force, aided by private and military helicopters and ships of several nations.

8th Person Dies in Sydney Rampage

SYDNEY (UPI) — The death of a 47-year-old woman Sunday from gunshot wounds brought to eight the toll in a shooting and stabbing rampage in a Sydney shopping center, the police said.

Police identified the killer, who fatally shot himself, as a 33-year-old man who lived alone and worked as a part-time cab driver. They said he was not related to any of his victims. Investigators were still trying to determine a motive for the killings, which occurred Saturday.

Mexicans Vote in Test for Salinas

MEXICO CITY (Reuters) — Mexicans voted Sunday in mid-term elections seen as a plebiscite on the economic policies of President Carlos Salinas de Gortari and a test of a 62-year-old political system often described as rife with fraud.

The ballot — for all 500 members of the Chamber of Deputies, half the 64 Senate seats and 6 of the 31 state governors — marked the first nationwide elections since 1988, when Mr. Salinas was elected with only 50 percent of the vote.

TRAVEL UPDATE

American Airlines said that it would match trans-Atlantic fare cuts announced last week by Virgin Atlantic Airways. Pan American World Airways slashed most of its overseas airfares on Thursday to match discounts by the British carrier, pressuring other U.S. carriers into considering further cuts. Virgin Atlantic, British Airways' main rival in Britain, cut some of its fares 25 percent. *(Reuters)*

A major highway linking the Spanish city of San Sebastián with France was closed for several hours Sunday after Basque nationalist protesters set fire to a bus in the town of Renteria, the police said. Hundreds of demonstrators erected barricades and burned vehicles across the region to protest the death of three ETA guerrilla suspects Saturday in a shootout with police. The Civil Guard, which killed three ETA suspects and arrested 10 others in a major swoop in which two Civil Guardsmen were injured, continued their search for eight fugitives. *(Reuters)*

This Week's Holidays

Banking and government offices will be closed or services curtailed in the following countries and their dependencies this week because of national and religious holidays:

MONDAY: Colombia, Hungary, Venezuela.
TUESDAY: Hungary.
SATURDAY: Hong Kong, Liberia, Sri Lanka.
SUNDAY: Uruguay.

Source: J.P. Morgan, Reuters.

The Weather

Forecast for Tuesday through Thursday



North America
Hurricane Bob will threaten the northeastern United States Tuesday and Wednesday. Torrential rains and very strong winds are possible from Philadelphia to Maine. The weather will be rather tranquil in Chicago and Detroit.

Europe
London will be warm with sun Tuesday, but showers are likely Wednesday and Thursday. Paris will have plenty of sun Tuesday and Wednesday. Showers are likely Thursday. Madrid and the rest of Spain will be sizzling hot Tuesday through Thursday.

Asia
Tropical Storm Ellie will have dissipated along the coast of China by Tuesday, but there will still be heavy rains throughout the region. Typhoon Gladys will bring heavy rains to the southern Japanese islands, but will stay south of Tokyo.

Europe

	Today High C/F	Today Low Wx C/F	Tomorrow High C/F	Tomorrow Low Wx C/F
Algarve	33/91	22/71 s	32/89	21/70 s
Amsterdam	21/70	12/53 pc	24/75	14/57 s
Athens	31/88	22/71 pc	33/91	23/73 s
Barcelona	32/89	21/70 s	33/91	19/66 s
Belgrade	27/80	16/61 pc	28/82	17/62 pc
Berlin	21/70	11/52 c	23/73	13/55 pc
Brussels	25/77	12/53 s	27/80	14/57 s
Budapest	25/77	12/53 pc	24/75	13/55 pc
Copenhagen	18/64	10/50 sh	19/66	12/53 pc
Costa Del Sol	35/95	23/73 s	35/95	22/71 s
Dublin	22/71	12/53 pc	21/70	11/52 sh
Edinburgh	22/71	12/53 pc	21/70	11/52 c
Florence	29/84	16/61 s	29/84	17/62 s
Frankfurt	23/73	11/52 s	26/79	14/57 s
Geneva	26/79	13/55 s	26/79	12/53 s
Helsinki	18/64	10/50 r	17/62	10/50 sh
Las Palmas	31/88	24/75 s	32/89	22/71 s
Leningrad	19/66	11/52 t	17/62	10/50 sh
Lisbon	29/84	20/68 s	29/84	19/66 pc
London	26/79	13/55 s	27/80	14/57 pc
Madrid	37/99	22/71 s	35/95	20/68 s
Milan	29/84	15/59 s	30/86	17/65 s
Moscow	28/79	15/59 t	24/75	13/55 t
Munich	23/73	12/53 pc	25/77	11/52 s
Nice	28/82	16/61 s	28/82	17/62 s
Oslo	17/62	12/53 pc	19/66	10/55 pc
Paris	27/80	13/55 s	29/84	15/59 s
Prague	22/71	11/52 pc	24/75	10/50 pc
Reykjavik	12/53	8/46 sh	13/55	8/46 pc
Rome	29/84	16/61 s	29/84	18/64 s
Stockholm	17/62	10/50 sh	19/66	12/53 pc
Strasbourg	27/80	13/55 s	28/82	16/61 s
Venice	28/82	15/59 s	29/84	17/62 s
Vienna	24/75	12/53 pc	24/75	14/57 pc
Warsaw	21/70	10/50 sh	25/77	12/53 pc
Zurich	24/75	11/52 s	25/77	11/52 s

Middle East

Ankara	28/82	14/57 pc	28/82	12/53 t
Beirut	32/89	23/73 s	33/91	23/73 s
Cairo	34/93	20/68 s	31/88	20/68 s
Damascus	33/91	19/66 s	34/93	18/64 s
Istanbul	27/80	17/62 pc	28/82	18/64 t
Jerusalem	32/89	21/70 s	33/91	22/71 s
Riyadh	43/109	27/80 s	43/109	28/82 s

Oceania

Auckland	18/64	13/55 sh	18/64	13/55 pc
Sydney	19/66	11/52 s	21/70	10/50 pc

Asia

	Today High C/F	Today Low Wx C/F	Tomorrow High C/F	Tomorrow Low Wx C/F
Bangkok	32/89	25/77 sh	33/91	24/75 pc
Beijing	28/82	22/71 pc	29/84	22/71 pc
Hong Kong	31/88	25/77 pc	31/88	24/75 sh
Manila	34/93	28/79 pc	34/93	25/77 pc
New Delhi	34/93	28/82 pc	34/93	28/82 pc
Seoul	29/84	23/73 c	28/84	22/71 sh
Shanghai	30/86	23/73 pc	30/86	23/73 pc
Singapore	33/91	25/77 pc	33/91	25/77 pc
Taipei	31/88	24/75 sh	33/91	23/73 pc
Tokyo	28/82	24/75 pc	30/86	23/73 c

Africa

Algiers	35/95	20/68 s	33/91	18/64 s
Cape Town	16/61	14/57 pc	17/62	7/44 pc
Casablanca	33/91	19/66 s	33/91	19/66 s
Harare	28/79	13/55 s	26/79	13/55 s
Lagos	30/86	26/79 pc	30/86	26/79 pc
Nairobi	23/73	14/57 pc	22/71	14/57 pc
Tunis	33/91	22/71 s	33/91	21/70 s

Latin America

Buenos Aires	18/64	8/46 pc	21/70	5/41 pc
Caracas	31/88	23/73 pc	31/88	24/75 pc
Lima	18/64	13/55 pc	17/62	13/55 c
Mexico City	25/77	14/57 pc	26/79	13/55 c
Rio de Janeiro	25/77	18/64 pc	23/73	19/66 pc

North America

Anchorage	17/62	10/50 sh	18/61	11/52 pc
Atlanta	31/88	20/68 t	30/86	21/70 pc
Boston	27/80	19/66 sh	25/77	18/64 pc
Chicago	23/73	13/55 pc	27/80	15/59 s
Denver	29/79	14/57 t	31/88	15/59 s
Detroit	23/73	14/57 sh	27/80	15/59 pc
Honolulu	31/88	24/75 pc	32/89	24/75 pc
Houston	36/86	23/73 t	33/91	24/75 pc
Los Angeles	28/79	18/64 pc	34/93	23/73 t
Miami	32/89	25/77 t	29/84	18/64 pc
Minneapolis	25/77	14/57 s	33/91	25/77 pc
Montreal	23/73	16/61 sh	24/75	16/61 s
Nassau	31/88	25/77 pc	32/89	24/75 pc
New York	28/82	21/70 sh	24/75	19/66 sh
Phoenix	41/106	28/82 t	40/104	27/80 s
San Fran.	21/70	13/55 pc	21/70	13/55 pc
Seattle	27/80	14/57 pc	24/75	13/55 pc
Toronto	23/73	13/55 sh	25/77	15/59 pc
Washington	30/86	22/71 t	28/82	21/70 pc

Legend: s-sunny, pc-partly cloudy, c-cloudy, sh-showers, t-thunderstorms, r-rain, sf-snow flurries, sn-snow, i-ice.
All maps, forecasts and data by AccuWeather, Inc.©1991



Stephan Savoia/The Associated Press
George Bush and a White House staff assistant, Michael Dannerhaner, as they returned from fishing on the president's boat.

Golf Wars Test the Bush Family Links

By Maureen Dowd
New York Times Service

KENNEBUNKPORT, Maine — There are those who maintain, and a good many divorce lawyers count themselves in this number, that men and women should not attempt to play sports together.

The playing fields are one of the fault lines in the battle of the sexes, and conjugal bliss has oft been shattered in a single set of mixed doubles or a single round of golf.

The Bushes, of course, are no exception. Witness the golf wars of August, which reached fever pitch the other day when the president rated his wife's golf game this way: "She stunk."

Earlier this summer, Barbara Bush confided in a group of reporters lunching at the White House that she was taking golf lessons. Her husband had suggested she do so, she said proudly, so that they could play together in Kennebunkport. The first lady is always eager to find ways to spend more time with her husband.

But the Bush vacation has provided a sad tableau of the rejection that every woman of average sporting abilities has faced in her life: Men, by and large, prefer to play competitive games with other men.

Mrs. Bush has been seen tagging behind the president's foursomes, playing her own fledgling game with her friend from Kennebunkport, Betsy Heminway.

The president took devilish delight, on Mrs. Bush's first outing at the Cape Arundel Golf Club, in stopping his own game and urging reporters to watch Mrs. Bush and Mrs. Heminway ply their wobbly shots on the 18th green.

"We'll make her nervous," the president said mischievously.

Mrs. Bush was clearly annoyed at her husband for putting her in the glare of cameras. "That's so mean," she muttered, adding that the reporters were "lucky" not to be married to Mr. Bush.

The president tried to patch up his image as loving husband by taking Mrs. Bush out last week with the club pro, Ken Raynor, and the Bushes' oldest son, George.

But matters deteriorated Thursday when Mr. Bush, happily back playing with the guys, said that his wife's game "stunk."

The always loyal first lady tried to defend her man, saying that he had merely been quoting her and that her game was "absolutely a disaster."

Before he headed off with another male foursome, Mr. Bush gloated that his wife had exonerated him and facetiously noted, "I can't wait to get back hand-in-hand down the fairway with my wife, Barb."

By now, however, Mrs. Bush had learned the eternal lesson. Asked whether she would play golf with her husband, she replied fervently: "Never again."

In the U.S., a Serial Murder Overload?

Public Seems Blasé at Drifter's Claim of 60 Killings, but Police Are Alarmed

By Brent Mitchell
Washington Post Service

GULFPORT, Mississippi — Perhaps the most striking aspects of the case of Donald Leroy Evans are that his claim to be the nation's newest known serial killer has apparently caused few public shock waves, and that authorities are taking him quite seriously.

Until this month, Mr. Evans was an anonymous drifter who has used an alias when arrested, a convicted felon with a history of mental instability and an unlikely subject of intense police, press and television interest in this small coastal town.

But federal, state and local authorities say they cannot risk ignoring Mr. Evans's assertions that he killed more than 60 people in the last 14 years in as many as 17 states.

That the revelations of a single man isolated in the Harrison County jail here could lead to formation of an investigative task force and nationwide inquiries is not surprising, said Charles M. Friel, a criminology professor at Sam Houston State University, in Huntsville, Texas.

Experience, he said, has shown investigators that they may seem naive if they express shock at one suspect's statements that he was responsible for killing 60 people.

"God knows how long serial killers have been around," Mr. Friel said. "As we become exposed to the sordid details of crimes, we become less and less surprised at what we hear. Some of the more bizarre things become increasingly credible."

The effects of Mr. Evans's claims also may have been muted because they came within weeks of the arrest in Milwaukee of Jeffrey L. Dahmer, who has been charged with drugging, strangling and dismembering a dozen people whose body parts were found in his apartment. Investigations into other killings claimed by Mr. Dahmer are continuing.

Mr. Evans, 34, has been linked publicly to three slayings. He was charged in Gulfport on Friday with capital murder in the death of Beatrice Louise Routh, 10, whom he has said he kidnapped, raped and killed this month.

Friday, authorities also charged Tammy Giles Routh, 30, the girl's mother, with being an accessory to sexual battery, the Harrison County prosecutor, Robert Payne, told The Associated Press. She had been held as a material witness, and authorities had said she had allowed Beatrice to accompany Mr. Evans to a convenience store from which they did not return.

"The investigation revealed that the mother permitted this child to go," Mr. Payne said, "with full knowledge that sexual activity was to take place between him and the child."

As the authorities continue the tedious task of comparing notes on unsolved homicides that might be linked to Mr. Evans, no one in law enforcement seems willing to discount the possibility that he could be telling the truth.

The FBI has brought in its Behavioral Science Unit, which evaluates serial killers, and hundreds of police and sheriff's departments are involved in probing unsolved homicides, which have risen sharply in the last three decades.

The Evans case has gained a high profile locally, the authorities said, because he told the police that he kidnapped and killed a youngster. The police said Mr. Evans could have remained relatively unknown had he not talked to them and attracted the interest of news organizations.

In Fort Lauderdale, Florida, the police list 83 unsolved homicides in the last 20 years, including the slaying in 1985 of a prostitute, who may have been killed by Mr. Evans, a police spokesman said. The police need more information before they can move against Mr. Evans, the spokesman added.

U.S. Ties Drug Fight to Peru's Rebels

By Eugene Robinson
Washington Post Service

LIMA — In agreeing to a new program of military aid and advisers, the Bush administration has linked the future of U.S. anti-drug efforts here to the outcome of a bloody guerrilla war that most observers conclude is going very badly for the government of Peru.

There appears to be little threat that the Shining Path guerrillas will take power, according to diplomats, human-rights workers and others who have been following the 11-year conflict against the Peruvian state. But neither do these experts see the government scoring a conclusive victory.

The situation they envision is a prolonged stalemate, with the government's position most precarious in the coca-producing Upper Huallaga Valley, the region where the new U.S. efforts will be aimed.

The aid proposal is part of the administration's strategy of attacking the drug trade at its source. More than half the world's coca, the plant from which cocaine is processed, is grown in Peru, most of it in the Shining Path-controlled Upper Huallaga.

The plan calls for $35 million in military assistance, including Green Berets to train battalions of the Peruvian armed forces, military spare parts and road-building equipment, and $60 million in economic aid. No use of U.S. combat forces in Peru is envisioned.

The money and equipment are being delayed in Congress because of human-rights violations by the Peruvian security forces.

The Bush administration acknowledged in an agreement signed last month with Peruvian officials that the drug problem was "inextricably intertwined" with the fight against Shining Path.

The position represents a turnaround for the United States that in order to begin reducing the supply of coca, Peruvian forces must first seize back the valley from the Shining Path guerrillas and provide roads, markets and other improvements that will make the planting of different crops feasible.

"In my view, the only place where Shining Path fully controls the territory where it is present is the Upper Huallaga Valley," said a Western diplomat who has followed the guerrilla war for several years. "That means practically no police or military presence. Shining Path runs the towns, the schools, the clinics."

While the agreement with Peru specifies that the military aid must be used for "counternarcotics purposes," such distinctions are often hard to draw.

"In the Upper Huallaga, you might be talking about the same person," the diplomat said. "One day he might be wearing his guerrilla hat, and the next day wearing his drug trafficker hat."

The U.S. Special Forces personnel who likely will come to Peru under the new agreement are described here as "trainers," who will teach the Peruvians how to use the new equipment they receive, rather than "advisers," who help develop overall anti-guerrilla strategy and suggest what targets to attack.

"The word 'advisers' brings up some shadows of the past," said a U.S. official, alluding to the Vietnam experience. "We would almost certainly do this training in places where there would not be the likelihood of encountering hostile forces."

The official added, "If you're going to tell them how to use an M-16, it isn't a question of who is the target."

U.S. Drug Enforcement Administration agents have been active in the valley for years, advising the anti-drug police and often taking part in raids. Their status and role would remain unchanged.

No U.S. military role or presence is planned in other areas where Shining Path is strong. Yet the Peruvian government's ability to marshal an effective campaign in the Upper Huallaga Valley, even with U.S. equipment and training, depends at least in part on the situation in the rest of the country.

Although Shining Path is believed to take in millions of dollars each year through policing the drug trade in the Upper Huallaga, it apparently spends practically none of these funds on arms, preferring as a matter of principle to use homemade weapons or those it has stolen from the security forces.

After Bush Rejection, Democrats to Press for Jobless Benefits

Washington Post Service

KENNEBUNKPORT, Maine — Congressional Democrats believe that President George Bush has given them a political issue with his decision to reject an extension of unemployment benefits for millions of Americans.

Mr. Bush defended his decision, saying it would be too costly to extend the benefits by up to 20 weeks.

Labor leaders and Democrats accused the president of turning his back on the more than 3 million out-of-work Americans whose 26 weeks of benefits have or are about to run out. Led by Democrats, Congress passed the extension before the August recess as part of an effort to highlight their concerns for domestic problems and to attack Mr. Bush for paying too much attention to foreign policy.

Mr. Bush said Friday that he would sign the $5.2-billion measure because "it at least demonstrates that I am concerned in terms of economic benefits." But he will then nullify it by refusing to declare the budget emergency required to permit the $5.2 billion in additional spending.

Democratic congressional leaders in Washington said Mr. Bush's decision showed the president's lack of concern for domestic problems. The House speaker, Thomas S. Foley, Democrat of Washington, urged Mr. Bush to bring the "same leadership to the domestic challenges facing the nation" that he showed in the Gulf war.

"In the fall, the Democratic Congress will press for new legislation to address the concerns of American families in need of assistance," said the Senate majority leader, George J. Mitchell, Democrat of Maine.

"Although the president prefers helping people overseas, Congress will ensure that we take care of our own," said the House majority leader, Richard A. Gephardt, Democrat of Missouri.

On another matter, Mr. Bush said he disapproved of the actions of anti-abortion protesters who have blocked entrances to abortion clinics in Wichita.



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* Subject to change without notice.

6 Weeks in the Life of Ulster: From Peace Efforts to Sectarian Carnage

By William E. Schmidt
New York Times Service

LONDON — Six weeks after the collapse of talks described as the best hope for bringing peace to Northern Ireland, the troubled province is trapped in a spiral of separate reprisal killings that has left eight people dead in nine days.

Hugh Annesley, the chief constable of the Royal Ulster Constabulary, the Northern Ireland police force, warned during the weekend that British officials might reintroduce internment of suspected terrorists without trial if the wave of violence continued to grow. Internment without trial was introduced in 1971 in Northern Ireland and ended in 1975.

The most recent violence occurred on Saturday morning, when a British soldier was killed in a bomb explosion while on foot patrol in County Armagh, near the border with the Republic of Ireland. The outlawed Irish Republican Army later took responsibility for the attack.

On Friday, two men with ties to the mostly Catholic republican political movement in the province were killed in separate attacks by gunmen belonging to illegal Protestant paramilitary organizations.

In a joint appeal, Protestant and Catholic church leaders in Northern Ireland pleaded Friday for an end to the violence, denouncing the attacks as "naked evil" and warning that rival paramilitary groups were trying to provoke "mayhem and civil war" through sectarian killings.

The 8 killings brought to 53 the number of people who have died so far this year in Northern Ireland, compared with a total of 76 for 1990. Although that toll is nowhere near what it was in the 1970s, when the number was counted in the hundreds, the pattern of killing last week reflects a level of activity not seen in years.

Gerrard McGuigan, a Belfast city councillor and a member of Sinn Fein, the political wing of the Irish Republican Army, said in a telephone interview that the atmosphere in Belfast and the surrounding areas was highly charged.

"To say it is tense would be an understatement," Mr. McGuigan said. "There is almost a siege mentality because of the attacks."

Peter Brooke, who is the British secretary of state for Northern Ireland, condemned what he called "the constant litany of violence."

For much of May and early June, while Mr. Brooke was trying unsuccessfully to convene Northern Ireland's four major political parties for peace talks, there was less violence, in part because Protestant groups proclaimed a cease-fire.

The talks, which excluded Sinn Fein because of its ties to the IRA, were aimed at returning a large degree of home rule to Northern Ireland. The province has been ruled directly from London since 1972.

But in the last two months, there has been a marked increase in reprisal killings by rival paramilitary groups.

During August, there have been nine killings in Northern Ireland, beginning with the shooting on Aug. 5 of a Protestant man in County Tyrone. The IRA, which claimed responsibility for the shooting, said the man was prominent in the loyalist political movement, which favors close ties between the province and Britain, and draws most of its members from Protestant ranks.

On Aug. 9, the IRA killed another Protestant in Londonderry. That killing brought swift retaliation from the other side, which during the next two days murdered a Catholic shopkeeper in West Belfast and a Sinn Fein member in County Tyrone.

On Wednesday, two women were wounded when unidentified gunmen made a rare attack on a bus carrying the families of IRA prison inmates.

Battle Won, Apartheid Foe Furls Its Banner

Reuters

JOHANNESBURG — The United Democratic Front, one of the principal vehicles of anti-apartheid protest in 1980s, dissolved on Sunday, saying its goal of nonracial democracy would soon be realized in South Africa.

"Today, as the UDF closes shop, even that constitution which we sought to render ineffective is on its deathbed," said the organization's publicity secretary, Murphy Morobe.

The Front, a coalition of more than 700 anti-apartheid groups, was formed in August 1983 to oppose a new constitution that provided for a tricameral parliament for whites, Indians and people of mixed race but that left the majority black population without the vote.

The Front captured the imagination of most South African blacks and challenged apartheid.

"We managed to get people to stand up and fight for their rights without any fear and actually challenge authority," Mr. Morobe said.

"Our affiliates will now devote their energies to the building of the ANC, our ideological senior and mentor, into a mighty force for justice, democracy and peace," he said.

Within a few months of the Front's formation, youth organizations, civic associations and trade unions with a total of about 3 million members had affiliated themselves with it.

The Front organized boycotts, strikes and marches, some of which resulted in violent confrontations with the police.

It was in the forefront of the campaign for economic sanctions.

FRONTIER: *Across the Bering Strait, the Relations Are Human but Still Not Economic*

(Continued from Page 1)

gulag. But American tourists are now welcome in Magadan, where millions of Soviet citizens died in Stalinist labor camps, and on Sakhalin Island, where a Korean Air Lines jumbo jet was shot down in 1983.

Americans have hiked across the Kamchatka Peninsula, which was closed to foreigners for three-quarters of a century. Dozens of friendship visits have been exchanged between Anchorage and Anadyr, Seattle and Vladivostok, Nome and Provideniya.

With few exceptions, however, all this goodwill has produced very little economic change. After an initial spurt of enthusiasm, most U.S. businessmen have adopted a cautious attitude.

The ending of the Cold War also has been a jarring experience for many Soviet residents of the Far East, although their disenchantment has taken a different form. Contact with the United States has contributed to the loss of the conviction that life was better in the Soviet Union than anywhere else in the world.

"Seeing how Americans live has been a great shock," said Alexander Batura, the mayor of Provideniya. "For decades, we imagined we were moving forward toward communism. Now we understand that the communist idea is nothing but utopia. Our people see that you live better and are asking why they can't live better too."

"We have opened up a Pandora's box," said Mr. Stimpfle, who has invited hundreds of Provideniya residents to visit him in Nome. "It's sad, in a way. When they come here, they understand that they have wasted their lives for 70 years. Yesterday, I took a Russian woman to a grocery store here. The sight of all those shelves crammed with goods made her weep."

Named after the Russian naval commander who surveyed Alaska in the mid-18th century, the Bering Strait separating Alaska from the Chukotia region only relatively recently became a political, economic and social divide.

Igor Riga, the director of the ethnographical museum in Anadyr, said: "Chukotia and Alaska were connected to each other up until 11,000 years ago, and we still have a lot in common geologically. We share the same flora and wildlife.

"Politically, Alaska was part of Russia until 1867, when the czar sold it to the United States for $7 million."

Until World War II, nomadic Eskimos were able to travel freely across the Bering Strait in *baidaras*, boats made out of walrus skin. During the war, Provideniya became an important transit point for U.S. lend-lease military equipment to the Soviet Union.

In the late 1940s, with the onset of the Cold War, the border slammed shut.

During the '50s and '60s, Chukotia became a military fortress. After the Cuban missile crisis in 1962, three armored divisions were stationed near Provideniya, ready to invade Alaska at a moment's notice. The surrounding hills were turned over to missile batteries.

It was not until Mikhail S. Gorbachev came to power in 1985 and proclaimed a new policy of *glasnost*, or openness, that the ice began to melt. Mr. Stimpfle tried sending "friendship packages" containing cigarettes and pictures of his children by balloon across the Bering Strait. There was no reply, but his efforts finally paid off in June 1988 when the Soviets invited a planeload of Alaskan dignitaries to make a day trip to Provideniya.

"That 30-minute trip across the Bering Strait was like entering some kind of time machine," Mr. Stimpfle recalled. "It looked like Alaska, the same tundra, the same mountains rising from the sea. But something wasn't right. It was like going back in time 30 years to a world without cellophane, without toilet paper. The clothes were like the clothes we used to wear in the '50s."

Like Alaska, Chukotia has great potential for wealth. But its gold and coal reserves, reindeer herds and forests have not been developed commercially. Apart from the port, which is frozen eight months of the year, there is practically no economic activity.

After years of isolation, the sudden discovery of America has caused political havoc in Provideniya. The town is now divided into two groups: those who have been to Alaska and those who have not. The former mayor, Oleg Kuliukhin, was ignominiously hounded out of office when it was discovered that he had accepted a VCR as a personal gift from the citizens of Nome.

"As soon as Kuliukhin touched that VCR, he was doomed," Mr. Stimpfle said. "There's a culture of envy over there."

Mr. Stimpfle added, "In the old days, he was shot or sent to a labor camp."

Similar jealousy surrounds Mr. Kozakiewich, a former city hall bureaucrat who now acts as the Provideniya agent of Bering Air, the Nome-based company responsible for the air bridge between Chukotia and Alaska.

Making any money out of the Nome-Provideniya shuttle has proved difficult. Bering Air's nine-seater Piper planes often are stranded for hours at Provideniya airport because of customs delays. Soviet passengers pay their fares in rubles, which cannot be converted into any other currency or even taken out of the Soviet Union. Practically all of the airline's costs, including a $500 landing fee and gasoline, are in dollars. The rules for foreign businesses change so fast that it is impossible to keep up with them.

"Every time the Soviets charge Bering Air those landing fees, they are shooting themselves in the foot," said Mr. Stimpfle, who has vowed not to travel to Provideniya again until the ruble is made convertible and the present system of "economic apartheid" is ended.

Argentina Gets Volcano Aid

Reuters

BUENOS AIRES — Israel has agreed to donate 2,000 gas masks to Argentina to help people being deluged by thick ash from the eruption last week of Mount Hudson, a 1,800-meter (6,000 feet) volcano in Chile. It is spewing gas and ash over southern Chile and Patagonia and across the Atlantic as far as the Falkland islands, 350 miles (540 kilometers) off the coast.

DIAL: *Phone-Number Crunch*

(Continued from Page 1)

posed. Some industry people are backing an idea that would increase the local dialing sequence to eight digits, rather than seven, and several smaller telephone companies have proposed shifting to a four-digit area code.

"Like lambs to the slaughter, American telephone users are being led into a course that will have far worse implications than what most of us see at the moment," said David C. Henny, president of the Whidbey Telephone Co. in Langley, Washington.

In a recent industry technical journal, Mr. Henny proposed a system of four-digit area codes. He says his plan would require fewer changes in telephone switching systems and would result in numbers that are easier for people to remember.

Bellcore officials say that their plan is the most efficient and inexpensive method of coping with the proliferation of telephone numbers and that their system will last well into the next century.

They also say the alternatives would likely cause more confusion or would be more expensive because every telephone customer would have a new number.

The rapid growth in phone numbers has stemmed partly from new technologies like cellular phones. But facsimile machines and computer modems, advanced corporate PBX, or private branch exchange, systems — which assign a separate number to each employee of a company — have also played a role.

Some telecommunications analysts also say the existing pool of phone numbers is poorly managed.

"We have a practice where large blocks of phone numbers can be warehoused by corporations or organizations to provide for future growth," said Eli Noam, a telecommunications expert at Columbia University. "As an economist, that seems to be a wasteful practice."

Bellcore executives said they were resigned to being the target of some good-natured ribbing for forcing the nation to change its dialing habits, but that they did not expect opposition anything like the anti-digit dialing movement that greeted the transition from traditionally named exchanges like PLaza or PEnnsylvania in the 1950s.

"I think we can pretty much say that the United States has the best numbering plan in the world," said Mr. Conners, the Bellcore administrator.

But he noted that the writer Calvin Trillin once referred to a previous Bellcore administrator as the "far away man," because a dialing mistake could connect a caller to the other end of the country.

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Soviet Lawmakers Seek Release of 40 Hostages

Compiled by Our Staff From Dispatches

MOSCOW — Two Soviet lawmakers flew to the disputed Nagorno-Karabakh region on Sunday to help negotiate the release of about 40 Soviet servicemen held by Armenian militants, an independent news agency reported.

The heavily armed militants are demanding the release of 16 Armenians detained in ethnic fighting in recent months between Armenia and Azerbaijan.

Ethnic violence flared three years ago when Armenia sought control of Nagorno-Karabakh, an ethnic Armenian enclave within Azerbaijan.

The Democratic Russia Press agency said General Vladimir Smirnov, a member of the Soviet legislature, and Anatoli Shabad, a member of the Russian Republic's parliament, flew to the village of Aterk, where the servicemen are being held, in hopes of finding a solution to the hostage crisis.

The lawmakers plan to meet with military officials and with a group of Armenian women from Aterk who have threatened to blow up themselves and the hostages if Interior Ministry troops tried to free the soldiers, the agency said.

The official Tass press agency said the Azerbaijani Communist Party reported renewed fighting Sunday. It said two people were killed and four wounded when Armenian gunmen attacked the villages of Erkech, Manashid and Buzlukh, which in Azerbaijan.

On Saturday, Presidents Boris N. Yeltsin of the Russian Republic and Nursultan Nazarbayev of Kazakhstan offered to mediate the Armenian-Azerbaijani conflict, Tass said.

In an appeal to the Soviet president, Mikhail S. Gorbachev, the presidents of the two republics suggested that both sides engage in direct talks without preconditions.

In the third Transcaucasian republic, Georgia, meanwhile, President Zviad Gamsakhurdia dismissed his prime minister and two other senior officials Sunday, local journalists said.

A presidential decree issued in the Georgian capital, Tbilisi, said that Prime Minister Tengiz Sigua had been relieved of office at his own request and that Otar Kvilitaya, a deputy prime minister, and the republic's foreign minister, Georgi Khoshtaria, had been dismissed. It gave no reason.

Mr. Gamsakhurdia has led Georgia's battle to break away from the Soviet Union.

(AP, Reuters)



Herbert Proeppet/The Associated Press

PILGRIMS GREET THE POPE — Slovak women in traditional shawls waving to Pope John Paul II on Sunday at the Mariapocs shrine in northeastern Hungary. Tens of thousands of Eastern Rite pilgrims from the Ukraine, Czechoslovakia, Romania and Poland as well as Hungary came to hear Mass said by the Pope. Eastern Rite churches accept the Pope's authority but have autonomy in ritual.

MOSCOW: *The Big Treaty Week*

(Continued from Page 1)

nism, is a measure of the stunning political change wrought in the past six years. For, on the far-from-certain chance that it succeeds, it would ratify the de facto collapse of the central government monolith and speed the rise of the sovereignty-hungry republics.

Beneath its roseate language, however, the treaty represents a risk-laden agenda of the tasks facing the Soviet people if they are ever to advance beyond the broken hobbles of the Communist decades and secure a prosperous place in the global market economy.

If a majority of the 15 republics sign up over the next eight weeks, the treaty would set in motion a series of changes, including a new constitution and a new more democratically elected parliament and presidency.

The draft treaty, which has been subject to various revisions in the bargaining at a private government dacha, envisions a unionwide market economy; power sharing in which the republics would control their own land ownership and use as well as share in the union's gold, diamond and foreign currency resources; a constitutional court to try and settle the mushrooming fights of government jurisdictions; and various civil rights guarantees, including an end to internal bars on domestic migration.

All this and much more, however, would be subject to constitutional and legal provisions still to be written at the union and republic levels within a post-Communist process of political debate already rife with confusion and fractiousness, procrastination and suspicion.

The uncertainty of the treaty's progress is indicated by the fact that of the nine republics that negotiated with Mr. Gorbachev, the Ukraine, facing heightening nationalist fervors and political rivalries, lately is hesitating to sign the draft.

Mr. Gorbachev's strategy, therefore, is to have a sign-up period staggered into the fall. It is to open Tuesday with Russia and Kazakhstan, the two largest republics signing, along with Uzbekistan. By Oct. 10, the Soviet leader hopes to have the signatures of the other negotiators, Byelorussia, Tadjikistan, Kirghizia, Turkmenia and Azerbaijan. The Ukraine may delay until very late in the year because of a presidential election in December.

Lithuania, Latvia, Estonia, Georgia, Armenia and Moldavia are refusing to sign and are intent on their own independence drives.

CONFLICT: *More Federal Troops and Tanks Cross River Into Croatia*

(Continued from Page 1)

seeking to carve out a Greater Serbia to form the backbone of a new state after the collapse of present-day Yugoslavia.

As the latest trouble flared, the Croatian Defense Ministry said in Zagreb that federal soldiers, army reservists and armed Serbs were moving into Croatia behind the federal tanks.

Mr. Vekic, the Croatian interior minister, who toured the area, said that federal army units had been sent in after his forces began gaining the upper hand.

Mr. Mesic, meanwhile, indicated that there had been disagreement among the military about the need to send federal forces to Okucani.

At a news conference in Zagreb, Mr. Mesic quoted Admiral Stane Brovets, a federal deputy defense minister, as saying there had been no need for the army to enter the town. Mr. Mesic said that a commission would try to establish who was responsible for the order.

The army has been accused of acting outside federal authority in crackdowns in Croatia and neighboring Slovenia, which also declared independence on June 25.

"It is obvious that a cease-fire was not reached, and that the aggressive war is being directed from Belgrade," Mr. Mesic said. "This is a fight for Croatian territory under the excuse of having all Serbs in one state."

"This is pure aggression, and my further role in the presidency legalizes this dirty war in Croatia," he said. "I think that very soon I will have to decide whether to stay on in the presidency."

The president of Croatia, Franjo Tudjman, and the Serbian leader, Slobodan Milosevic — adversaries in the conflict — are to meet Tuesday in talks.

Despite its troubles, Croatia won moral support during the weekend from Pope John Paul II, who told Croatian pilgrims in Hungary that he supported their "legitimate aspirations" and that he would like to visit their republic soon.

The Pope's statement, delivered at an open-air service Saturday in the Hungarian town of Pecs, near the border with Yugoslavia, was his strongest yet on the Yugoslav crisis. But he stopped short of an explicit endorsement of Croatia's independence drive and suggested that Croats should achieve their goals through international mediation.

(AP, Reuters, NYT)

Oil Tanker Explodes Anchored Off Tripoli

Reuters

TRIPOLI, Lebanon — At least one crewman was killed, five were missing and six injured Sunday after an explosion and fire aboard an oil tanker anchored off northern Lebanon, security and Red Cross sources said. The name of the ship was not immediately available.

They said a blast started a fire on the Panamanian-registered ship as it was unloading 7,000 metric tons of gasoline through a two-kilometer-long (1.2-mile) underwater pipeline to a refinery at Tripoli.

Neo-Nazis and Leftists Clash Over Hess

The Associated Press

ERLANGEN, Germany — Two people were arrested and several injured in a battle involving about 200 rightist and leftist radicals on the fourth anniversary of the death of the Nazi deputy leader, Rudolf Hess, the police said Sunday.

About 4,000 protesters — neo-Nazis and leftists opposed to them — marched in Bayreuth and the nearby village of Wunsiedel, where Hess is buried.

Nearly 150 people were detained before the rallies began for carrying homemade weapons or tear gas, police said, but the marches, which occurred Saturday, were largely peaceful.

However, about 200 protesters clashed at a highway rest area near Erlangen, southwest of Bayreuth, where their buses had stopped on the way home. The protesters hurled rocks and highway flares, and a stretch of the autobahn between Nuremberg and Frankfurt was closed briefly.

Most of the protesters fled when the police arrived but two were arrested, the police said.

Earlier, about 1,500 neo-Nazis had marched through Bayreuth, shouting, "Foreigners out!" and "Rudolf Hess — martyr for Germany!" after their planned ceremony at Hess's grave was banned. Shortly before, about 2,500 leftist protesters had held a counterdemonstration.

Hess hanged himself after 46 years in Spandau Prison in Berlin, where he had been imprisoned for war crimes. He was 93 when he died.

There is growing concern in Germany about the apparent rise of rightist extremism, which has been most noticeable in attacks on foreigners in the eastern part of the country.

Reversing Itself, Italy Rounds Up and Deports Albanians

By Alan Cowell
New York Times Service

ROME — After granting sanctuary to hundreds of Albanian refugees, the Italian authorities reversed their pledge during the weekend, rounded up the fugitives in raids on hostels and camps, and sent them back to their crisis-ridden Balkan homeland across the Adriatic Sea.

The Albanians were the last of more than 10,000 who entered Bari harbor in southern Italy aboard a commandeered freighter nine days ago. Most were deported earlier last week after being held at dockside and in a stadium.

Many refugees said they had fled Albania to escape crushing poverty. But Italian officials have depicted them more as desperadoes and provocateurs dispatched by the Albanian government to blackmail Italy into granting more economic aid.

But on Tuesday, the government seemed to relent, offering a reprieve to as many as 2,000 Albanians who resisted deportation to the last. The Italian interior minister, Vincenzo Scotti, said Wednesday that their cases would be reviewed to determine whether they would be granted asylum.

Officials acknowledged Saturday that the offer of sanctuary had been a trick to lure the Albanians into a position from which they could be broken up into small groups and seized for expulsion.

"Letting them stay" for a few days "was the only way to avoid a massacre," Mr. Scotti said in a newspaper interview. "There were provocateurs among them. We disarmed them and now we can go after them one by one. The object was to weed out the violent ones with no right to stay."

Thus, the police raided the Albanians' temporary homes across Italy at dawn on Saturday and rounded them up, took them to airports under heavy guard, and flew them home aboard civilian and military aircraft.

Completing the operation on Sunday, the authorities rounded up more than 500 Albanian Army deserters and flew them home, despite promises to consider the soldiers' case separately.

Italy's handling of the episode, which included visits to Albania by senior government officials, was intended to signal that the welcome given to a wave of fugitives in March would not be repeated.

The decision provoked soul-searching among Italian commentators, whose emphasis shifted as the crisis turned. An editorial in Il Giornale, in Milan, asked: "Have Italians become a people with a heart of stone?"

■ 'Guarantee' on Deserters

Announcing the deportation of the deserters on Sunday, the Italian Interior Ministry said it had a guarantee from Albania that returned soldiers would not be tried or imprisoned but merely sent back to their regiments, Reuters reported from Rome.

However, soldiers landing at Tirana airport complained that they had been tricked. One said the Italians "told us they were taking us for medical treatment."

And an Albanian military police officer at the airport said, "These men will be put on trial on charges of desertion according to valid international laws on these charges."

Citing Expulsions By Italy, Malaysia Rejects Any Shift

Agence France-Presse

KUALA LUMPUR — Malaysia, citing Italy's expulsion of Albanian refugees as an example of Western double standards, will continue to refuse entry to Vietnamese refugees, despite foreign criticism.

Deputy Prime Minister Abdul Ghafar Baba said that Western powers had criticized Malaysia for its handling of Vietnamese refugees but had not done the same when Italy forcibly repatriated Albanians this month. Malaysia has granted temporary asylum to about 260,000 Vietnamese, but since 1989 has been towing refugee boats back out to sea after resupplying them with food, water and medicine. Many of the boats later landed in Indonesia.

A total of 587 Vietnamese have returned home from Malaysia since the start of a voluntary repatriation program in early 1989, according to figures from the United Nations High Commissioner for Refugees. A group of 151 Vietnamese, the largest single group to return home voluntarily, left on Aug. 7.

The office of the commissioner said recently that about 13,000 Vietnamese refugees were still in Malaysia.

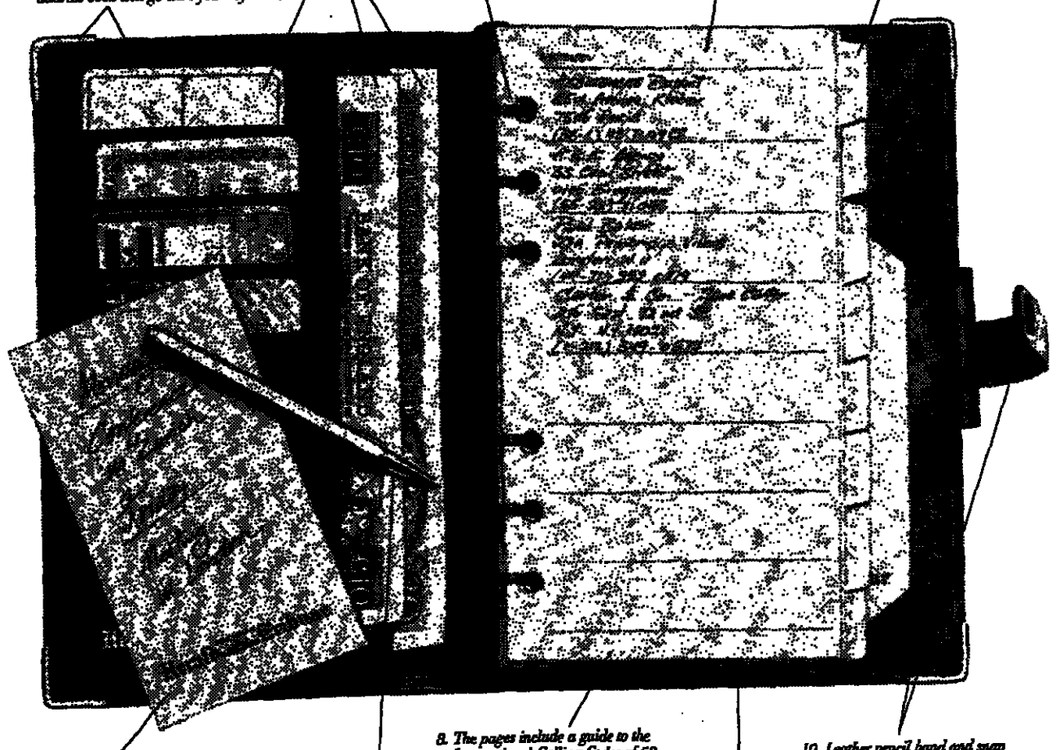
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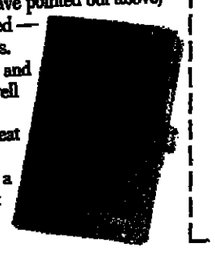
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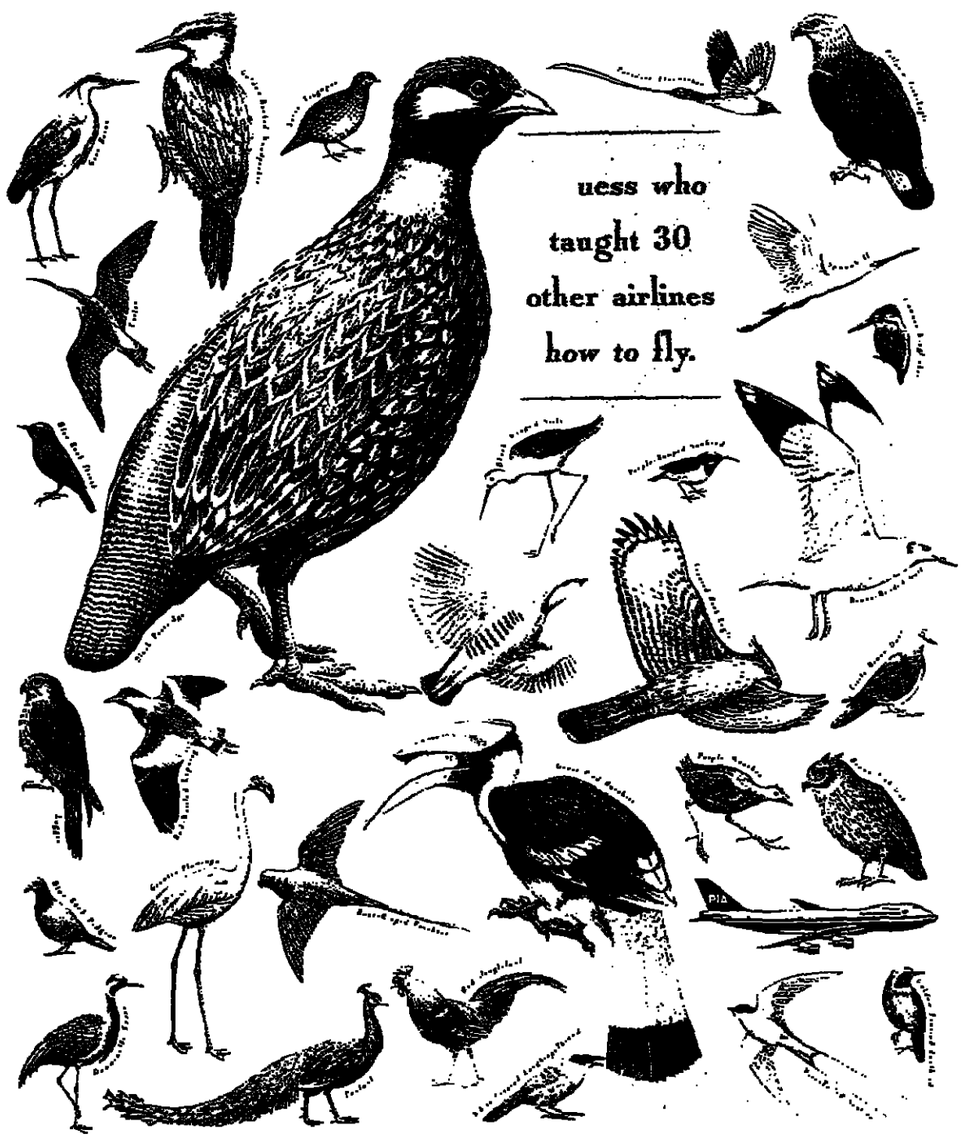
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OPINION

Iraq's Hunger Weapon

Saddam Hussein and his Ba'ath party are trying to use the starvation of Iraq's poor as a lever to break the United Nations' embargo on the country. The regime is counting on the stories of rising distress — stories that are, unfortunately, accurate — to induce the United Nations to relax its grip. The Security Council has now responded with a decision to allow Iraq to sell $1.6 billion worth of oil over six months. Two-thirds of the money would be used to buy food and medicine, which would be distributed not by the Iraqi government but by the United Nations. The rest would go into war reparation payments.

Iraq's first reaction is to say that it will sell no oil under such humiliating conditions. That would be a pity, but it is Iraq's choice. Perhaps on further consideration the government will change its mind.

The conditions, one Iraqi official protested, are an infringement of Iraq's sovereignty. No doubt. Iraq started a war and lost it. That has consequences. Since then the United Nations has discovered in Iraq a gigantic secret industry built for the production of illicit weapons — nuclear, chemical and biological. That also has consequences. The countries that fought the war last winter are in no mood to give Saddam Hussein and the men around him free access to future oil revenues when every week brings fresh revelations of the uses to which they put their previous revenues.

Before the war, Iraq imported most of its food. The embargo has never interfered with shipments of food or medicine, but Iraq no longer has the earnings to pay for them. The embargo has not created shortages by preventing food from coming in, but by preventing oil — until now — from going out.

These shortages are not universal in Iraq. The army is not starving. Conditions are not bad in Baghdad. People of wealth, and those who enjoy the government's favor, live comfortably. The suffering is greatest among the poorest, those who live in the provinces and especially those who rose up against the government in armed rebellion after its defeat in the war. The government is now punishing them by letting them starve. That is another reason to insist on distribution of food deliveries by the United Nations.

It is a test of wills between Iraq's rulers and the United Nations. Wounded but not incapacitated, the Iraqi government is now attempting to win an unconditional end to the embargo. That is precisely what the United Nations must prevent. The Iraqi regime claims that the embargo is causing hunger. That is incorrect. It is the obduracy of a brutal and vindictive government that is causing hunger. The United Nations is right to maintain the embargo, wait for Iraq to pump oil and then use the proceeds to feed Iraq's people.

— THE WASHINGTON POST.

Safety Was Not Wrong

Dioxin, once the most feared chemical in America, is undergoing a reassessment by the Environmental Protection Agency that may downgrade its notoriety. Federal officials now believe they may have overreacted in setting extremely low exposure limits for dioxin and in permanently evacuating all the residents of Times Beach, Missouri, where the roads were contaminated with dioxin. They are sensibly considering new evidence that could lead to relaxation of the current strict and costly regulatory standards.

Although dioxin has often been called "the most toxic chemical known to man," that label was based on its fearsome ability to kill guinea pigs. It was far less lethal in other laboratory animals. And a steady accumulation of data has convinced many health experts that dioxin is only a moderate threat to human beings. It appears far less risky, for example, than asbestos, radon, nickel, coke or chromates.

The reassessment will no doubt confuse many people and lead some to cynically dismiss regulators who "can't make up their minds." But that would be a false reading of events. The regulators may well have acted reasonably both in raising the original alarm and now in calling for a second look.

The original alarms were based on animal tests that showed dioxin was acutely toxic and a potent carcinogen in some species. Since then, animal studies have suggested the likely mechanism by which dioxin may cause cancer would limit its potency at most doses. Studies of human exposure in accidents and industrial settings have shown either no effect or a modest increase in cancer among those receiving very high doses.

After spending more than $400 million on dioxin-related research in the last decade, health officials now know more about dioxin than about most chemicals they regulate. If the reassessment concludes that current standards and cleanup steps are overkill, there need be no shame in relaxing them. Regulators must have the courage to change course.

— THE NEW YORK TIMES.

Better Science Books

Do schools teach what textbook publishers choose to print, or do publishers print what schools choose to teach? The relationship between America's schools and its textbook industry is a cozy, codependent one, but the publishers are more likely to pull teachers along in the direction they are headed than to tag behind. Texts are written for broad, diverse audiences and uses — the more to sell that way. Teachers are left with books that often are encyclopedic and dull.

California and Texas, two of the largest textbook markets, would like to alter this pattern in the area of science. Faced with bad texts, the two states got together and decided to commission books tailored to their curriculum reforms. With almost a quarter of the precollegiate science textbook users demanding the same product, publishers are likely to oblige the teachers.

Texas and California are something of an odd couple, and science teaching has followed different paths. California sought textbooks with straightforward discussions of evolution, while Texas required materials to include evolution theory and alternative theories. California educators have more interest in earthquakes, Texans in hurricanes.

But Texas and California have put regional interests aside to join the emerging reform movement in science teaching. Like the more fully blossomed reforms enacted in the teaching of mathematics, changes in science teaching are being steered by national groups operating pilot programs — the National Science Teachers Association and the American Association for the Advancement of Science. The idea is to present themes, fundamental principles and modes of inquiry across the scientific disciplines. Existing science texts, requiring much memorization, are inadequate for this "less is more" approach.

As the publishers, in close conjunction with the science teachers, begin to churn out materials reflecting the new methodology, other states are likely to adopt books that should quicken the pace of reforms that everyone knows must occur if American children are to do better in science.

— THE WASHINGTON POST.

Other Comment

India Can't Afford to Fail

The measures announced in the past month do not yet amount to a complete renunciation of India's old twin dogmas of socialism and self-sufficiency. Although the government said it would sell some shares in public enterprises, the hugely inefficient [state] sector will remain largely intact. Companies will apparently continue to be blocked in attempts to close down loss-making units, and food subsidies, except for sugar, will remain. Similarly, restrictions on imports, as well as foreign investments, have not been totally dismantled.

Nonetheless, the steps that have been announced — including devaluation of the rupee; abolishing over 7,500 export and import licenses; a higher equity limit for foreign investments, and plans to make investment without prior government approval easier for foreign and local companies — are nothing short of a revolution in Indian thinking and could unleash a new Asian economic miracle. But if political and public pressure forces the government to backtrack, as has happened before, India will find itself stuck in the economic backwaters again.

— The Straits Times (Singapore).

Narasimha Rao's government had no option but to take the action it has. With a fiscal deficit equivalent to over 8 percent of gross domestic product and dangerously depleted foreign reserves, India desperately needs foreign credit. This will be forthcoming only if it undertakes the type of reforms carried out over the past two months.

[But] it is doubtful whether the minority government has the strength to embark on the privatization of the public sector. The largest opposition party, the BJP, might support such a program but Congress wants no truck with its Hindu extremism. The left-wing National Front opposes privatization and even if Congress did find a suitable parliamentary ally, it would face formidable opposition from the unions. Mr. Rao has made a promising start but his country is still trying to advance with the handbrake on.

— The Daily Telegraph (London).

Plan for a Flow of People

The flow of migration from South toward North, and from East versus West are destined to assume even larger dimensions. To try to stop that flow, by blockade or sealing the borders will have two sure outcomes: It will cause the amount of clandestine immigration to expand and cause its dependence on organized crime to grow. Second, the movement of migration will always go toward the borders of countries that from time to time seem more accessible. The only solution is to elaborate on strategies right away, starting with the acknowledgement this is not an emergency, but a permanent tendency that is impossible to stop.

— La Stampa (Turin).

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Reagan's Tax-Cut Revolution Marks Its First Decade

By George F. Will

WASHINGTON — Dueling pistols — Clay was wounded and Hamilton was killed by such pistols — have been supplanted by dueling calculators in political disputes. Blazing calculators are disgorging ammunition for arguments about the effects of the Reagan tax cuts passed 10 years ago this month.

Is this or that group better off than it was? Or than it would have been if things had stayed as they were (which things never do)? Or relative to this or that group? Such micro-questions should yield to a few macro-facts.

If the Democratic Party stands for anything, it is job creation and low inflation. Until Jimmy Carter's double-digit inflation, Democrats were vocal about inflation being a cruel tax on the poor, who devote a high proportion of their income to consumption. Indisputably, Ronald Reagan's tax cuts coincided with (let others argue about causation) sharply declining inflation and prodigious job creation.

In his new edition of "The Almanac of American Politics," Michael Barone notes that in the 1980s population increased 10 percent but the number of Americans employed increased 20 percent. Labor force participation reached 66 percent, a record level exceeding even that of World War II.

Democrats respond with four complaints.

They say many new jobs are low-skill and not "meaningful." (This, from members of Congress?) What, then, of the Democrats' correct complaint that American education is not meeting the high-skill needs of the new economy? In fact, the Bureau of Labor Statistics reports that high-skill jobs have increased much faster than low-skill jobs.

Second, Democrats say income distribution has become less equal. But this started in the mid-1970s, before the Reagan Terror, and slowed when the nation's longest peacetime expansion began in 1983.

Third, Democrats say the tax cuts unleashed gluttonous consumption, thus undermined investment and thus the demise of manufacturing. But manufacturing today is the same percentage of GNP as 20 years ago.

Fourth, Democrats say the deficit is a menace. True, but Democrats are unconvincing when they wave old Robert Taft banners about balanced budgets.

The tax cuts of August 1981, were echoes of June 1978, when Californians passed Proposition 13, slashing property taxes. Opposition to Proposition 13 had been led by public employee unions — government stepping forward as an aggressive interest group.

By the late 1970s, taxes were a big issue because of the — how soon we forget — biggest issue: inflation. It produced "bracket-creep," floating taxpayers into higher brackets. This produced revenues Democrats needed so they could continue the game of giving periodic tax cuts, and counting on inflation silently to erase them.

By the time the crucial congressional vote came 10 Augusts ago, the choice was between Reagan's tax cut and the Democrats' quite similar cut. So similar were the two, Mr. Reagan belatedly embraced indexation of the tax code. Hence he could say in his address to the nation: If you are only going to live two more years, the Democrats' bill is better.

Mr. Reagan's tax cuts reflected Republican macro-thought: stress national strength, stimulate the economy and let growth dampen demands for government preferences for particular groups. Today Democrats are still addicted to micro-thoughts.

Mr. Barone notes that the Democratic National Committee's response to Desert Storm was a resolution that barely mentions the victory, "singles out black and Latino troops for special praise and treats the troops as victims — in need of special government programs — rather than heroes."

Mr. Barone also notes that the last time Democrats won an impressive presidential victory — in 1964 — was before Lyndon Johnson passed the Great Society legislation. His landslide followed two large legislative achievements — a civil rights bill that banned quotas, and a tax cut.

For Ronald Reagan, cutting taxes was a win-win proposition. The cuts might be self-financing, recouping revenue through economic growth. If not, deficits would stall domestic initiatives, the Democrats' strength, and would make foreign policy, the Republicans' strength, everything. One result is: George Bush, president of Cyprus.

But real conservatives respect the law of unintended consequences: it is one reason they are conservative. The law is: The unintended consequences of large governmental acts are apt to be larger than and contrary to the intended consequences. Mr. Reagan's tax cuts confirm the law.

When the deficits that coincided with (again, never mind arguments about causation) the tax cuts soared past $200 billion with low inflation and steady growth, the political class, Republicans as well as Democrats, came to a radical conclusion: There are no restraining rules. Today a deficit of merely $200 billion is a utopian goal. The fiscal 1992 deficit, honestly calculated, approaches $500 billion. Government spending is less restrained than ever in history. Happy birthday, Reagan revolution.

Washington Post Writers Group.

$2 Trillion Later, the Party Is Over

THE FOLKS who brought us Reaganomics are giving a new definition to the term chutzpah as they celebrate the 10th anniversary of the economic policy that promised lower taxes, higher military spending and balanced budgets all in one beautiful package. Among those throwing a big birthday party was the Heritage Foundation, which was a sort of intellectual fountainhead of supply-side economics policies.

Judging from news accounts of the bash, however, no one pointed out that the price of the tax cut was a tripling of the national debt, or the point that today 27 cents out of every dollar in revenue taken in by the government, excluding Social Security taxes, goes for interest on debt. The comparable figure at the outset of the supply-side madness was less than 10 cents on the dollar of revenue. As far as we can tell that horrendous burden reaches as far into the future as the eye can see.

Moreover, of that 73 percent of revenue that is left over after the interest is paid, a huge chunk must go to pay for the bank bailouts that became necessary in the era of junk bonds and leveraged buyouts.

This is the true legacy of the Reagan Revolution. No one put it better than Senator Daniel Patrick Moynihan: "We borrowed a trillion dollars and threw a party." Revise that. Make it two trillion.

Well, word may not have reached the Heritage Foundation, but folks, the party is over. A debt-ridden nation struggles, and not very successfully, to get out of recession. But let our friends who brought us Reaganomics enjoy themselves. We predict that by the time the 20th anniversary of Reaganomics is observed, Americans will hold them in about the same esteem that East Europeans hold the crowd who brought them communism.

— The Baltimore Evening Sun.

Prime the Pump Again And Spare Us the Myths

By Tom Wicker

NEW YORK — When will President George Bush stop telling Americans all's well with the economy, when anyone with bills to pay knows better? When, if ever, will he get on with the real task before him — putting Americans back to work and restoring their prosperity?

The recession's over, the White House insists. Baloney. Jobs are disappearing, layoffs are up, consumption is down, unemployment is nearly 7 percent, retail sales are lagging, real estate is a disaster area, banks are failing, credit is tight, wages are stagnant, and among 16- to 19-year-olds only half — the lowest level in two decades — hold or are even looking for jobs.

Big-spending liberalism? Maybe so, but weren't Americans better off when that was the rule?

Last year's budget agreement with Congress, it says here, got a grip on the federal deficit. More baloney. The Congressional Budget Office has just announced that despite stringent spending limits, new taxes and the alleged end of the recession, the deficit will rise from $279 billion in fiscal 1991 to $362 billion next year.

Even the president's own budget director concedes the deficit will reach $348 billion; and in that neighborhood that's a distinction without much difference. So the prospect is that the geniuses who gave America the recession and the deficit will now raise taxes and cut spending again, both deflationary steps, in holy pursuit of that elusive Grail, a balanced budget.

From New England to California, moreover, states and cities have been hard-hit on one side by recession-depleted revenues, and smashed on the other by drastically reduced federal aid. The result is a triple disaster — rising state and local taxes, declining state and local services and extensive worker layoffs. Does anyone believe that this combination will not have further depressing impact on an economy already gasping for breath?

The Federal Reserve, another source of fatuous reassurance, periodically belies its own words with minor and inadequate cuts in interest rates, which may or may not make it slightly easier for Main Street to get loans; but which do little to restore the necessary economic confidence of those who are now afraid to start or expand a business, even if they could get a loan.

And where did the myth come from that conservatives handle the economy more capably than liberals? Jeff Madrick, a business correspondent for NBC News, has pointed out that during the 11 years since Ronald Reagan's election, real gross national product is up only about 30 percent. During the terms of Presidents John Kennedy and Lyndon Johnson and the first three years of Richard Nixon, the 11-year gain in real GNP was almost 50 percent.

So here's an unorthodox program to renew American prosperity — one that can hardly produce worse results than the pious economic orthodoxies the nation has followed right out the window:

- Let's stop worrying so much about the deficit, a vastly overrated threat, and invest, for a change, in America and the American people.
- Let's stop fretting about the supposedly imminent return of inflation and see what the combination of sharply reduced interest rates and increased public spending can do.
- Let's invest — or prime the pump — by pouring billions into infrastructure, building and repairing roads, bridges, sewers, city streets, public works of all kind; this is not only a needed program in itself, but it will put people to work as nothing has done since the construction of the interstate highway system in the 1950s (and it will train thousands of idle, mostly hopeless Americans in essential, marketable skills).
- Let's also start returning more federal money to states and localities, earmarked as far as possible for putting people to work at essential services rather than throwing them on the unemployment rolls while the garbage goes uncollected.
- Before anyone shouts "deficit spending," remember that for every point the unemployment rate declines, $30 billion to $40 billion can be cut from the deficit, owing to additional revenues and reduced outlays for the jobless. Thus, unemployment reduced in, say, five years from 7 percent to 4 percent would perhaps cut the deficit by as much as $120 billion, not counting the larger effects of a revived economy.

Old-fashioned, big-spending liberalism? Maybe so, but weren't Americans better off when that was the rule? And what has this trickle-down crowd in Washington done for them lately?

The New York Times.



India: Take the Open-for-Business Sign Seriously and Step Inside

By Charles H. Percy and David M. Sloan

WASHINGTON — The new Indian government's decision to open up to greater foreign investment is historic, not only because of its implications for that country's protected economy but for what it says about the newfound respectability of multinational corporations throughout the developing world.

After 45 years of socialist self-sufficiency, India has announced it will allow foreigners to hold majority equity ownership in joint ventures. If implemented, this and other shifts in industrial policy promise a more deregulated, competitive economy. Such actions should be seen as only first steps in a sweeping liberalization process through which India hopes to achieve greater growth and to service its large foreign debt.

While India has only started down the road of economic reform, the symbolism of permitting foreign majority control is huge. One of the hallmarks of Nehru-Gandhi economics was denunciation of multinationals as forces of global exploitation. Even as the Soviet Union, India's traditional patron and economic mentor, embraced Western capitalism, India remained the last bastion of multinational-bashing. The country has now signaled that some of the least positive aspects of the Nehru-Gandhi era are behind it, and that it, too, wants to join the world economy.

Why the change in India's attitude toward foreign investment? This question is especially relevant given the conventional wisdom that prospects for India's opening up died with Rajiv Gandhi, the architect of the country's limited and short-lived economic reforms of the mid-1980s.

First, there is what a leading Indian magazine terms the TINA factor — There Is No Alternative. Faced with imminent, unprecedented default on its international obligations and with its commercial credit lines exhausted, India has no choice but to adopt measures to generate foreign exchange.

In addition to rendering its investment regime more attractive in the hope of drawing in capital, India has begun negotiations with the International Monetary Fund and World Bank on a medium-term loan of up $7 billion. These institutions likely would have made a loan conditional on India's opening up to foreign investment and making a dramatic cut in the country's fiscal deficit, moves India is already trying to make.

Second, the new investment policy reflects India's realization that it needs the multinationals for technology transfer, managerial expertise and job creation. As a recent Group of 30 study suggests, foreign direct investment has "the same potential for creating gains in efficiency and growth into the 1990s as trade had in the 1950s and 1960s."

However revolutionary the new investment policy, don't expect an immediate, headlong rush by U.S., European and Japanese companies into India. India faces tough competition in attracting a limited pool of international capital and must, sooner than later, allow 100 percent foreign equity ownership, as the Soviet Union and China, as well as neighboring Pakistan, already do.

More important, given its track record, India must demonstrate by concrete actions that it sincerely wants foreign investment. Some $200 million in investment proposals for U.S. companies await scrutiny by Indian authorities. India's new investment review process will have to do much better than its predecessor, the Foreign Investment Board, which met only twice in a recent six-month period rather than 12 times as scheduled. Of the 148 cases on its agenda, the board considered 35; of these, 32 were deferred and only three approved. Small wonder, then, that India's total foreign investment was only $100 million in 1990.

In announcing India's new investment regime and other economic reforms, Finance Minister Manmohan Singh said: "Let the world hear it loud and clear. India is now wide awake." This is promising news for the world's largest democracy, so long kept from realizing its vast economic potential. By a broader measure, India's new attitude symbolizes the beginning of an era in which multinational corporations are seen as engines of growth, not instruments of evil.

Mr. Percy is president, and Mr. Sloan executive vice president, of Charles Percy & Associates, an international trade consulting firm. They contributed this comment to the International Herald Tribune.

Expect a Rough Ride to the Free Market

By Rajendra Bajpai

NEW DELHI — India is quickly discovering that there are many pitfalls on the road to free-market prosperity. Within days of coming to power, the minority government of Prime Minister P.V. Narasimha Rao acted to deregulate an economy long shackled by controls, licenses and quotas that stifled business enterprise. Manmohan Singh, an economics professor and former governor of the Indian Reserve Bank, devalued the rupee by 20 percent and set about hacking through a jungle of bureaucracy to open the economy for both domestic and foreign investors. His main aim is to promote competition and efficiency.

But Finance Minister Singh is not a politician, and in attacking the country's problems he has struck at the alliance between financial and political power which lies at the heart of government in India.

Many Indian businessmen have welcomed the reform program, saying it will provide the impetus to propel India into the forefront of Asian economic powers. But many politicians do not like the medicine that the Cambridge-educated economist is dishing out.

Mr. Singh was attacked by opposition leaders for abandoning traditional policies. They accused him of doing the bidding of the International Monetary Fund, with which India is negotiating a $2 billion credit.

In an effort to cut the budget deficit, Mr. Singh slashed subsidies on fertilizers by 40 percent. In spite of an assurance that farmers would be compensated by higher prices for their products, rioting broke out in Andhra Pradesh, the home state of the prime minister. Mr. Rao is certain to regard the unrest as inauspicious. He expects to return to Andhra Pradesh in the next few months to be elected to the lower house of parliament. Some members of Mr. Singh's own party attacked him for cutting the fertilizer subsidy.

There is an inevitable lag between embarking on reform and seeing results. It will probably take three to five years to make the rupee convertible, thus integrating the economy into the mainstream of global trade. Mr. Singh has said he needs at least three years before his free-market policies begin to bear fruit. Even upbeat businessmen do not expect to see substantial foreign investment for at least two years.

That is a long time for a minority government. While there appears to be little danger of an imminent collapse of the Rao administration, it is unlikely to last five years in office. There are challenges to the prime minister's authority from Congress Party MPs who are intensely loyal to the former prime minister Rajiv Gandhi. They want Mr. Gandhi's widow, Sonia, to take the reins of power, although she has shown no inclination to do so. Also worrying for Mr. Rao is that many bureaucrats are angry because the policy of deregulation renders them powerless.

When the initial euphoria is over, businessmen who have thrived under government protection for more than 40 years may join the ranks of the critics. The Federation of Indian Chambers of Commerce and Industry has welcomed the liberalization, saying it is essential to modernize industry and make it export-oriented. But S. K. Birla, president of the federation, sounded a note of warning recently when he said that he personally opposed the idea of giving 51 percent equity to foreign investors because it would make him "a second-class citizen" in his own country.

Indian businesses could face stiff competition in the domestic market from foreign companies bringing in new technologies. Indian industry is not prepared to face an onslaught from multinational corporations. The main challenge facing Mr. Rao's government is not economic. It is how to maintain and defend reform policies against political pressures to go into reverse gear.

The writer is a former Reuters correspondent who is now based in New Delhi as a free-lance journalist. He contributed this comment to the International Herald Tribune.

IN OUR PAGES: 100, 75 AND 50 YEARS AGO

1891: Haytian Rebellion

The Herald says in an editorial: "Haytian affairs are going from very bad to much worse. Mr. Johnsing — we should say, President Hippolyte — quarrelled some time ago with his best military end-man, who is in open rebellion against him and now his entire band — that is to say his cabinet — has resigned. It is full time that the Haytian Republic should be closed as a disorderly establishment. The entertainment which it gives was once rather amusing, but it has long since ceased to amuse anybody."

1916: Bucarest Prepares

LONDON — Despatches received here from Bucarest, via Switzerland, state that a conference was held on Wednesday [Aug. 16] at the Roumanian Ministry of War. Soldiers and officers have been recalled. The rolling stock of the railways has been requisitioned and all the employés brought under military law. The German press continues to discuss the Roumania question, and does not disguise its apprehension at the trend. *Frankfurter Zeitung* is informed that the Roumanian Minister of Foreign Affairs has given instructions to his diplomatic couriers travelling to France and England to avoid the route through Austria-Hungary and Germany.

1941: Russian Retreat

MOSCOW — [From our New York edition:] German forces have reached a point seventy miles from Leningrad on the railroad line from Tallinn, as the Red southern army carries out a gigantic "scorched earth" retreat deep into the Ukraine, a communiqué announced today [Aug. 19]. The communiqué admitted the loss of Kingisepp, south of the Gulf of Finland. Earlier reports said the Russians were laying waste vast wheat lands, industries and Black Sea shipping, under orders from Premier Joseph Stalin to leave nothing but ruins in the lands they abandon to the Germans.

PAN AM 1991
PROGRESS REPORT
NO. 6

PAN AM NOW HAS A FUTURE.

WE THANK EVERY ONE OF YOU WHO HELPED MAKE IT POSSIBLE.

On Monday, August 12, Pan Am and Delta received Court approval to put into effect an agreement that will make Pan Am a stronger, albeit smaller, airline.

For Pan Am, this marks a decidedly positive step in a long, agonizing struggle for survival against overwhelming odds.

A struggle that took place during the most turbulent, troubled era in airline history.

That we have reached this point is a direct reflection of the quality of Pan Am people, who over the years made this a great airline, and, during the last critical years, gave unstintingly for the benefit of our customers.

Regretfully, a smaller, reorganized Pan Am will necessitate a reduction in employment levels. However, between those employees who will be welcomed into the Delta family, and those who will stay with Pan Am, 13,500 Pan Am people will retain their jobs.

To our customers and creditors who have stayed with us through the ups and downs, we thank you. And more importantly, we look forward to repaying your loyalty with a renewed, revitalized Pan Am.

DURING THE TRANSITION, PAN AM TICKETHOLDERS WILL BE FULLY PROTECTED.

Delta has committed more than $600 million in cash to the purchase of certain Pan Am assets, and to the refinancing and reorganization of the airline.

Delta has purchased Pan Am's New York-Europe routes, Russia and Eastern Europe routes, Pan Am's Frankfurt hub, and Miami- and Detroit-London routes, and the Pan Am Shuttle.

In addition, Delta will provide jobs for over 6,600 experienced Pan Am people.

All fit strategically into Delta's growing network, backed by a sound, financially strong company that cares about its employees and its customers.

This transaction assures that Pan Am will be able to continue operations, offering full service, not only during the transition period ahead, but in the years to come.

Further, Delta guarantees that should you purchase a Pan Am ticket now and not use it until Delta is flying the route, you will be automatically reserved in the same class, on the same route, on the same day, at the same price, on Delta.

Even further, Delta guarantees any Pan Am tickets to any destination served by Pan Am.

THE FUTURE PAN AM. A BILLION DOLLAR AIRLINE SERVING A MAJOR GROWTH AREA OF THE WORLD.

When this management took over the stewardship of Pan Am early in 1988, the company had been suffering through two decades of heavy operating losses.

Its ability to compete in an environment filled with recession, spiraling costs, terrorism and war had been reduced to near zero.

Our goal throughout this difficult period has always been rehabilitation and survival, rather than liquidation.

The Pan Am/Delta alliance goes a long way towards achieving that goal.

Delta will participate, along with creditors, in financing a restructured Pan Am.

An airline that will generate a billion dollars in annual revenues, employ 6,900 people, operate 50 aircraft and have the financial strength not only to refurbish its fleet as needed, but also to handle growth through the purchase of new aircraft.

While the restructured Pan Am is a smaller airline, it will still be a financially sound carrier to what many see as a major economic growth area of the world: Latin America and the Caribbean.

Pan Am opened Latin America to U.S. air travel. We've grown, and helped Latin America grow, for over 60 years—productive years that have seen the building of a profitable route structure and the development of incomparable experience.

MIAMI. THE DELTA/PAN AM GATEWAY TO LATIN AMERICA.

The focus of Pan Am's future operations will be Miami, the fastest growing airline hub in the U.S.

Delta will feed traffic into Pan Am from its vast U.S. network.

Schedules will be coordinated to give travelers easy access (with single ticketing and checked-through baggage) to all parts of Pan Am's Caribbean and Latin America.

In addition, Pan Am will continue to operate its profitable service from New York to Latin America.

No airline has comparable experience in these areas of the world or is as familiar, welcome, and highly regarded.

These strengths that have been developed, this trust that has been earned, are assets that other airlines simply cannot match.

PAN AM TICKETHOLDERS AND WORLDPASS® MEMBERS. HERE'S MORE GOOD NEWS.

Delta will do more than honor all Pan Am tickets (which it is backing with a $150 million ticket protection program).

If you are a Pan Am WorldPass member, you'll have the opportunity to convert all of your WorldPass miles to Delta's Frequent Flyer program.

We sincerely wish our friends at Delta great success with their newly expanded European network and The Shuttle, serving New York, Boston and Washington, D.C.

And we at Pan Am look forward to serving you for many years to come.

Thomas G. Plaskett
Chairman and Chief Executive Officer
Pan American World Airways, Inc.

PAN AM®

IZMIR

The Steady March Toward Prosperity

The Turkish city of Izmir, formerly Smyrna, has been the prime entrepôt and export outlet for its fertile Aegean hinterland for centuries.

Looking across the sheltered harbor in Izmir bay from the ramparts of Kadif Kale on Mount Pagus behind the old city, it is easy to see the reasons for Izmir's prosperity.

Settlement in and around Izmir dates back to the dawn of written history, when it was part of the Hittite kingdoms. The city has been fought over by a succession of armies and rulers — the Ionians, Alexander the Great, the Roman Empire, the Arabs and the Turks. The most recent conqueror was the great nationalist leader Mustafa Kemal Ataturk during the Turkish war of independence in the early 1920s.

Population growing by 3% a year

Like many other places in Türkiye, the city is a vital mixture of the old and the new. It went into a decline after it was gutted by fire during the war of independence and fell behind Istanbul in trading and industrial might, but after the end of World War II, it began to pick up again and found its own measured pace, slower than the frenetic bustle of wheeling and dealing in Istanbul during the high-growth years of the mid-1980s.

Izmir is now a city in its own right, with an independent commercial, banking and industrial base, besides still being a market and outlet for the abundant agricultural production of the Aegean region.

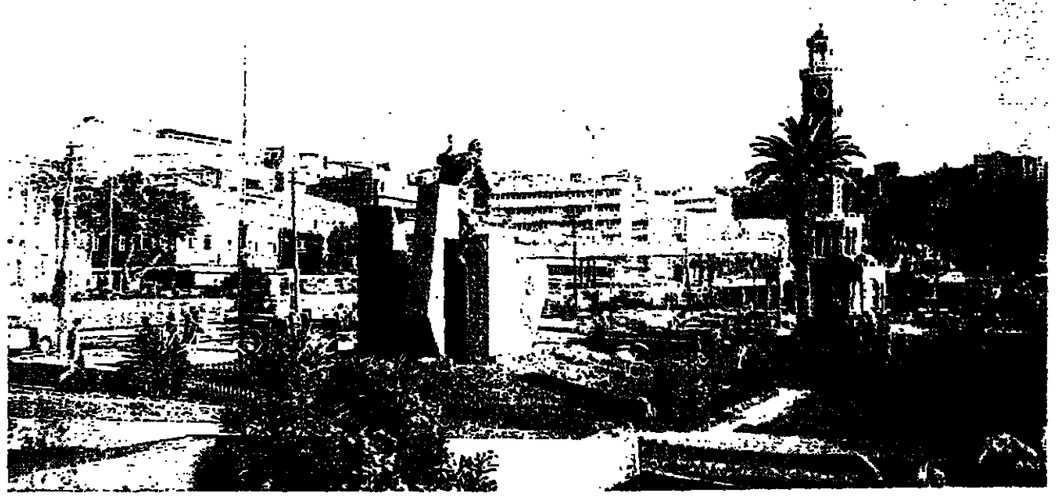
Izmir's harbor at Alsancak has a handling capacity of 4.6 million metric tons, and in 1989 accounted for 19.3 percent of the country's total exports (worth $2.3 billion) and 12.6 percent of its imports ($1.3 billion), according to the Aegean Chamber of Commerce and Industry. This made Izmir one of the few regions in Türkiye with an external trade surplus.

Two establishments have important roles in the promotion of external trade: the Izmir International Fair and the new Aegean Free Trade Zone.

Major developments are in hand to expand Alsancak harbor to allow more container handling. And in the late 1980s, the completion of the Adnan Menderes airport, with a capacity of four million passengers a year, brought more international traffic, particularly tourists, to the area.

The city has not escaped the social problems that come with rapid population growth, common to all Turkish cities. According to the national census of 1990, the city was the country's third largest urban conurbation, with a

Continued on page II



The heart of Izmir, Konak Square, with the Clock Tower in the background.

Industry and Banking Adapt to Progress

The Aegean region accounts for 11 percent of the country's manufacturing output and 13 percent of its industrial exports.

Industry is concentrated around Izmir, which accounts for 87 percent of total regional output and reflects both the Aegean's

Free-trade zone is a success story

agricultural vitality and its ability to attract newer sectors, ranging from a multiplicity of small textile manufacturers to the large electric-arc furnaces to the north of the city. By melting down scrap, these private-sector enterprises account for 40 percent to 45 percent of the country's molten steel output of 7 million to 8 million metric tons annually.

To the north are the gleaming tanks, flues and piperuns of the petrochemicals and refining installations at Aliaga, operated by petrochemicals giant Petkim and the Turkish Petroleum Refineries Corporation, both in the process of being privatized by the government.

Traditionally, Izmir's industry, banks and commerce have been dominated by long-established patrician families, some of which go back to Ottoman times.

Reflecting the city's cosmopolitan antecedents, they include Levantine, French, English and Italian industrial and trading dynasties. In the late Ottoman period, the port city was a center for foreign capital and companies employed by the sultanate to open up the interior of Anatolia.

One family active in the trade of the Aegean region for over 70 years is the Gurel dynasty, whose fortunes were established by its founder, Kazim Gurel, with the Sunel Tobacco Company, which remains the cornerstone of the Gurel Group. The company is one of the biggest exporters of oriental leaf tobacco from Türkiye and has the largest privately owned oriental tobacco manipulation complex in the country. The group also has a company called Unitab, a joint venture with British American Tobacco, to manufacture cigarettes in Türkiye.

From tobacco, the group has diversified into the export of herbs and spices and also has a holding company called Gurel Endustri with a wide range of shareholdings in the automotive industry, fish farming, banking, insurance, hospitals and baby food.

In the heady growth years of the mid-1980s, Izmir came into the financial limelight as foreign merchant banks and their domestic counterparts searched for opportunities outside an increasingly competitive and congested Istanbul. But during those years, many of Izmir's holding companies and banks also outgrew the city and found it necessary to establish trading or even corporate headquarters in Istanbul.

Of all the banks that started out in Izmir, Tarisbank is the only one that still has its headquarters in the city. Its business mainly involves servicing the financial needs of the region's farmers grouped in the Taris agricultural cooperative.

The bank has 130,000 shareholders, total assets of $179 million, allocated credit of $86 million and a paid-up capital of $7 million. Of its 35 branch offices, only four are outside the region, and Tarisbank intends to increase its share of the local market.

But institutions like Tutunbank and Egebank still derive a considerable amount of their income and business from the Aegean region, despite having moved their head offices to Istanbul. Tutunbank is a subsidiary of the leading regional conglomerate, the Yasar Group.



Yuksel Cakmur, Mayor of Izmir.

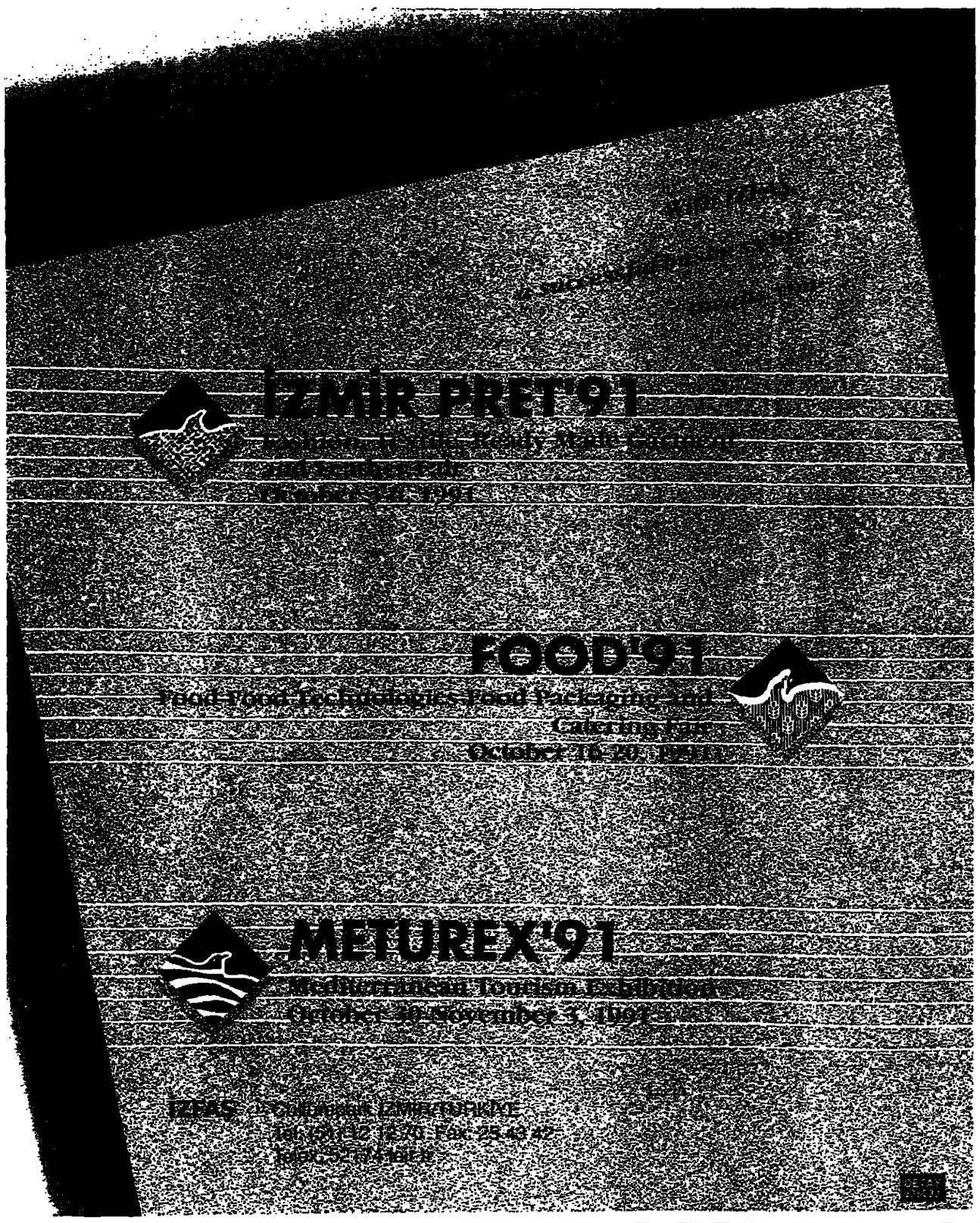
The group weathered a rough patch in the second half of the 1980s due to lower-than-expected returns from investment in a meat production and packaging facility. Last year, high meat prices and better distribution in Izmir and Istanbul through a chain of specialized shops put the meat operation, Pinar, back in the black.

Overall, the group is in a healthy financial position, says Gazi Ercel, a director of Tutunbank. The bank made a profit of 42 billion Turkish lira (about $9.5 million) in 1990; the group made total profits of 103 billion Turkish lira.

Companies that have not moved out to Istanbul have drawn new investment into the region. Its mutually beneficial relationship with the rest of Türkiye and the outside world is growing.

General Motors, for example, got a head start last October on other multinational carmakers like Toyota by beginning production at Torbali, outside Izmir, of the Vectra model made in Germany by its

Continued on page II



In six short years, Vestel has become a name to be reckoned within the world of consumer electronics.

By developing state-of-the-art technology, Vestel quickly became the number one manufacturer of colour televisions, videos, videoplayers, audio equipment, microwave ovens and data display units in Turkey.

Computer Aided Design (CAD) and Surface Mount Technology (SMT) are just some of the technologies Vestel utilizes in the design and production of advanced electronic equipment such as a digital CTV with computer-controlled teletext and P.I.P. facilities.

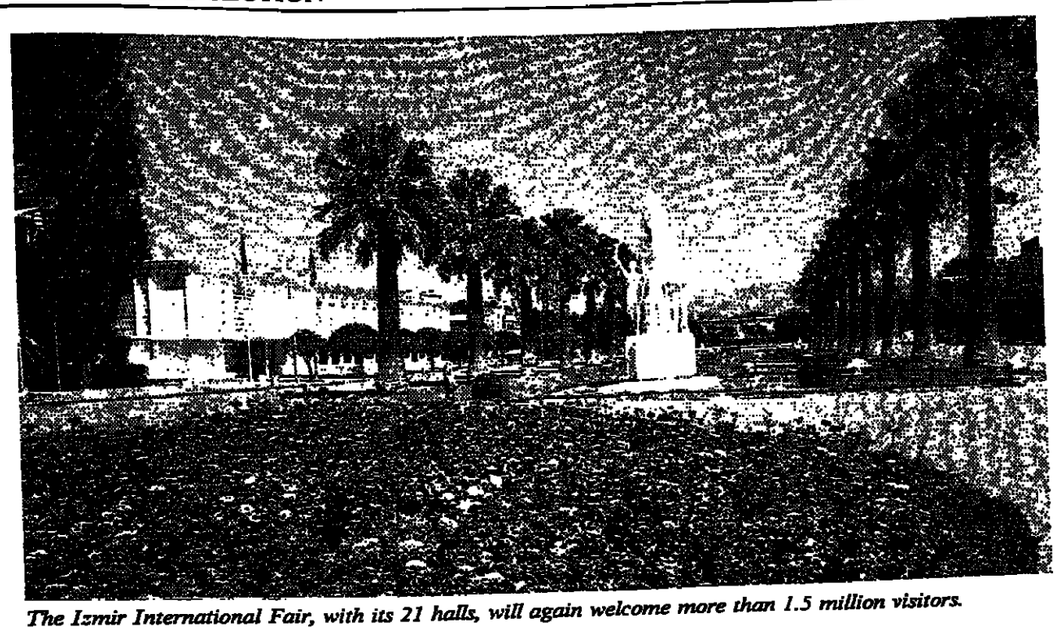
Sometimes Six Is A Golden Anniversary

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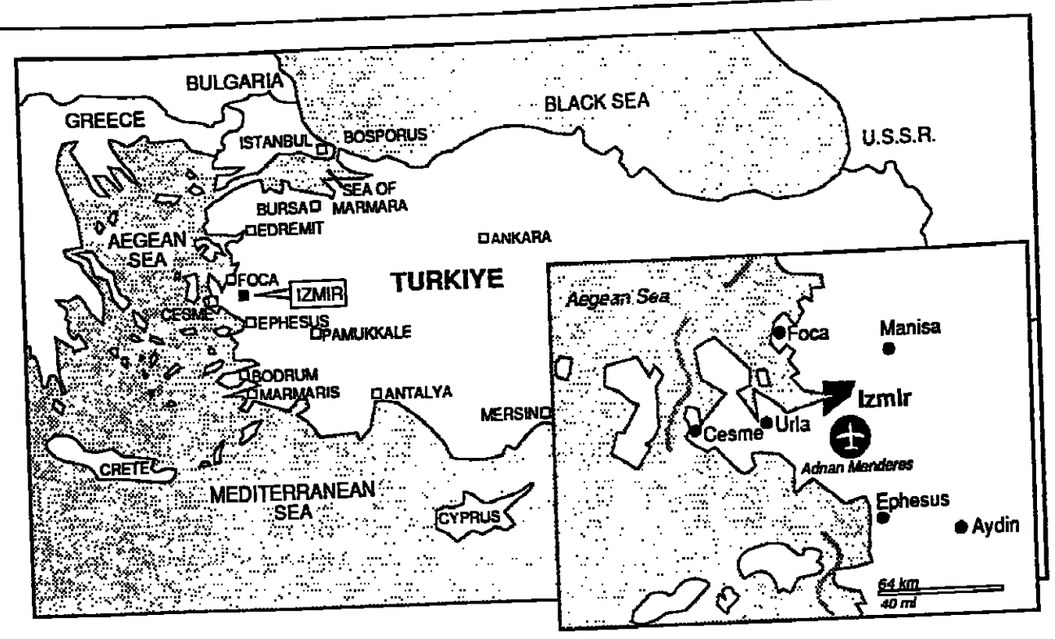
Vestel: Six golden years in the history of consumer electronics.

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The Izmir International Fair, with its 21 halls, will again welcome more than 1.5 million visitors.



Fair Puts Turkish Goods on Display

The Izmir International Fair's past is integrally bound up with the recent history of the Turkish republic.

The fair was conceived during the First Congress on the Turkish Economy, which assembled in Izmir in 1923, and went through several permutations before evolving into Türkiye's premier shop window on the world in its present permanent grounds in the city's Kulturpark.

Today, a total exhibition area of 46,098 square meters (500,000 square feet) is available, 22,352 square meters of them covered, including 21 separate halls. During the fair, from Aug. 26 to Sept. 10, even more visitors are expected than the 1.7 million that came last year.

Over 30 countries will be represented

The fair helps to promote all kinds of Turkish goods, but in the past decade the emphasis has shifted from agricultural to industrial items. Most of the domestic exhibitors come from outside the city, so the fair can truly claim to represent Turkish rather than regional wares.

Of perhaps equal importance, it has become an effective medium for foreign companies seeking to penetrate the Turkish market, according to the managing body, Izmir Fuarcilik Hizmetleri Kultur ve Sanat Etkinlikleri (Izmir International Fair Organization).

In 1990, for example, of the 600 firms participating in the fair, foreign entrants numbered 218, and this year more than 30 countries will be officially represented.

Automotive, marble, electronic, photographic and cinematographic industries take pride of place this year, but the list of exhibits also ranges from agricultural and construction materials and machinery to publishing and advertising.

The fairground is not dedicated solely to the fair itself, and there are a number of specialized events throughout the year. The 1991 calendar includes Izmir Pret, for textiles; Meturex, the Mediterranean Tourist Exhibition; Compotex, a computer fair; and Gida '91, a food fair. The 1992 calendar is even busier, with 10 specialized shows, including computers, cars, shoes and construction materials.

The Kulturpark also serves the citizens of Izmir as a recreational and cultural complex. On the fairground itself is an open-air amphitheater accommodating 3,000 people, another covered auditorium accommodating 750 and a third theater that is being renovated.



Selami Gurguc, managing director of the Izmir Fair Organization.

There are also three concert halls, a number of restaurants, cafés, bars, nightclubs and discos, a supermarket and shopping arcade, a children's amusement park and other facilities, including a swimming pool, all set in botanical gardens containing plant life natural to the Aegean.

The organization is planning to renovate the Kulturpark by increasing its green areas to 70 percent of the whole from the present 26 percent and relocating and upgrading its exhibition halls.

J.B.

Tourists Lured Back by Beaches and Ancient Ruins

The Gulf crisis has meant that this year has not been a good one for Aegean tourism, says Dr. Ergun Goksan, chairman of the Aegean Travel Agents Association. But business is picking up, and he hopes the sector will have regained the ground it lost by next year.

Early in the season in 1990, before the crisis broke, the number of tourists was increasing, giving reason to hope that a similar upward trend will mean more than half a million tourists arriving in 1992, the level reached in 1989. The other side of the coin of international and regional turmoil is that the trouble in Yugoslavia has deflected many bookings to Türkiye.

It is hoped that hotels and resorts will not increase their prices excessively to compensate for the lost business in 1991, Dr. Goksan says.

500,000 visitors expected in 1992

The Aegean region was the first after Istanbul to see large-scale tourist development as Türkiye's tourist industry took off in the mid-1980s. The attractions are clear, with sun and sand resorts all along the azure Aegean shore and a coast road down from the Dardanelles that is almost cluttered with the fascinating ruins of antiquity.

First there is the legendary city of Troy, discovered along with a vast treasure of gold and jewels by the adventurer Heinrich Schliemann in 1872, using Homer's Iliad as a guide. Then there is the magnificent citadel and temple of Athena in the acropolis at Assos.

These are but a taste of the archaeological marvels within a short drive of Izmir. To the north, above the present town of Bergama, tower the ruins of Pergamum, with its fabled acropolis. These are remains of one of the great centers of Hellenistic culture, equaling others in the Mediterranean such as Ephesus, Alexandria and Antioch.

Inland to the east is Sardis, which has been occupied for more than 5,000 years and was the capital of the Lydian empire in antiquity.

More wondrous than all these are the scrupulously reconstructed ruins at Ephesus itself, its magnificent library and theater bearing testimony to the sophisticated civic culture that reached its zenith under the Roman Empire.

At Ephesus as well is the House of the Virgin Mary, an important Christian shrine that was visited in person by Pope Paul VI in 1967. This year is the centenary of its rehabilitation, and Dr. Goksan hopes religious leaders all over the world, including the present Pope, will respond to invitations to come to Ephesus for celebrations marking the anniversary in October.

To the south of Izmir are the beach resorts of Cesme, Kusadasi, swinging Bodrum (a British favorite), Marmaris and Fethiye. But there are many smaller resorts and family pensions welcoming foreign visitors.

Nature lovers can visit the reedy lagoon at Dalyan, a lush world of flora and fauna that includes a nesting beach for the increasingly rare carrera carrera turtles. Those simply looking to get away from it all can hire yachts or take one of the Blue Cruises around this beautiful turquoise coast.

J.B.



The scrupulously reconstructed Ancient Library at Ephesus.

Industrial Progress

Continued from page I

Opel subsidiary. Vestel, which manufactures electronic and electrical goods, is a relatively new entrant. It operates on the model satellite industrial estate at Manisa, about 40 kilometers (25 miles) inland from Izmir.

Interest is keen in the new free-trade zone at Gaziemir, south of Izmir, where four foreign companies are among the 46 enterprises that have received operating licenses from the Aegean Free Zone Development and Operation Company (ESBAS). The zone's first phase, covering 200,000 square meters (2,150 square feet), was completed last winter; eventually it will total 1.4 million square meters.

Industries planned are electronic and related high-tech activities, food processing and packaging, chemicals and pharmaceuticals, specialty textiles and footwear, machine parts and accessories, banking, insurance and engineering services.

J.B.

Steady March

Continued from page I

population of 2.6 million, and had grown by 3 percent a year over the previous five years. The whole Aegean region's population is 5.2 million.

Environmental projects being implemented by the municipality include the Izmir great channel sewerage disposal scheme, the Izmir Bay dredging scheme, and construction of an abattoir to replace the one at the end of the bay.

In addition, the Izmir Leatherworkers Cooperative recently ordered a new wastewater treatment plant for the effluent issuing from its members' vats.

To ease traffic jams, the municipality plans to build a subway system and an underpass crossing the central Konak square. In the medium term, there are plans to convert and expand the city's gas distribution system to receive imported Soviet natural gas, in a project similar to those already under way in Ankara and Istanbul. The gas will be brought by a spur from the main gas import pipeline running from the Bulgarian border to Ankara.

All these improvements should contribute to a better life for the city's inhabitants as it heads toward the 21st century.

Jim Bodgener.

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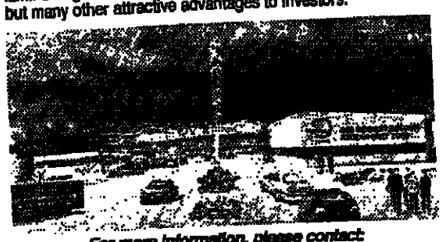
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For more information, please contact:
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The only Turkish newspaper that is criticized for being serious.

Cumhuriyet

Good news for Pan Am.

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We at Pan Am look forward to serving you for many years to come.

Good news for Pan Am fliers.

25% OFF
select Pan Am destinations.
Purchase tickets by August 31.
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For over sixty years, Pan Am has meant the world to you. Now it's time to show that you mean the world to us.

We're taking 25% off roundtrip and one-way fares to many destinations. Simply take this coupon to your Travel Agent and purchase your ticket between August 15 and August 31 and travel between September 1 and October 26, 1991. There is a minimum fare requirement of $125 one way or $250 roundtrip for U.S. flights and $250 one way or $500 roundtrip for international flights. This offer is not good on the Pan Am Shuttle.

For reservations or more information on this promotion, just call your Travel Agent. Or call your local Pan Am office.

Conditions: This offer is good for reservations booked and tickets issued between 8/15-8/31 for travel between 9/1-10/26/91. All travel must originate in the U.S., UK or Europe. Travel is not permitted to/from the U.S.S.R. or Central America (Belize, Costa Rica, Guatemala, Honduras, Nicaragua, El Salvador, Panama). Only one certificate of any type may be used per offer, per certificate holder. This certificate has no cash value. Certificates cannot be combined with each other or other discount coupons, WorldPass or other offers. Offer is valid only for travel on Pan Am and Pan Am Express, and not Pan Am Shuttle, and is subject to government approval. Advance purchase and stay requirements apply by fare type. Seats are limited and some tickets are nonrefundable. This offer may not be available in all countries. Other terms and conditions may apply. **Note to Travel Agent:** Ticket designator for this promotion is: /D25AUG, and fare basis code is applicable to fare paid.

PAN AM®

Herald International Tribune.

BUSINESS/FINANCE

** MONDAY, AUGUST 19, 1991

EUROBONDS

IBM Lease-Finance Unit Opts for Note Program

By Carl Gewirtz
International Herald Tribune

PARIS — The Eurobond market appeared to lose a top-rated issuer that is much favored by retail clients when IBM International Finance NV announced last week a program to issue medium-terms notes — essentially private placements tailored to suit the company's need for cash and investors' preferences in currencies and maturities.

The size of the note program is 1 billion European currency units, but the company has the option of issuing paper in a wide range of currencies: U.S., Canadian, Australian and New Zealand dollars, yen, lire, guilders, Luxembourg francs, Finnish marks, Swedish kronor, Danish kroner and although not immediately, sterling as well.

The Eurobond market seems to be losing a favored issuer.

The IBM unit, only three years old, finances equipment leasing and has raised the equivalent of about $3 billion in the Eurobond market to date.

Raymond A. Pillai, financial director of IBM Financing Services International in London, said the medium-term note program is "the ideal vehicle to suit the span of currencies and pricing requirements" of the company.

"It's hard to predict how successful the Euronote program will be — despite the hype about the market, we've got to see it happen," said Mr. Pillai. But the more money it raises through private placements, the less likely will be the need to tap the public Eurobond market, he added.

This does not affect IBM Credit Corp., a frequent Eurobond issuer.

Although the medium-term note market is still in its infancy, with outstanding paper totaling an estimated $125 billion, it is also the fastest-growing sector of the international capital market.

According to the the Bank for International Settlements, which last week published an analysis of the first quarter of 1991, issuance in the note market soared to $13.8 billion — more than 50 percent above the pace in the previous and the year-ago periods.

Including all short-term instruments, such as Eurocommercial paper, new issues totaled $21 billion.

HOWEVER, on a net basis — deducting from the new issue volume the amount of paper that was redeemed during the period — net new short-term issues amounted to $14.7 billion. The net volume dwarfed the $900 million figure of the previous quarter and greatly surpassed the $9.4 billion in the year-ago first quarter.

By contrast, activity in the much larger international bond market, where outstanding paper totaled $1.4 trillion, showed net new issues in the first quarter up 21 percent from the previous three months and 34 percent ahead of the year-ago period.

In the second quarter, gross activity in the note market rose 20 percent, to $25.5 billion with medium-term notes accounting for a record $16.6 billion of the total. On a net basis, however, new placements amounted to only $3.6 billion as the commercial paper market contracted. That sector of the short-term market faces increasing competition from newly developed domestic markets which are also opening to foreign issuers.

Under its program, IBM International Finance can issue paper ranging in maturity from one month to 30 years. But Mr. Pillai said he expected the average maturity of notes issued would be in the range of five years.

The program has been rated rated triple-A by both Moody's Investors Service and Standard & Poor's Corp. Merrill Lynch & Co. is arranging the program and dealers include Credit Suisse First Boston, J.P. Morgan & Co., Banque Paribas, Swiss Bank Corp., UBS/Phillips & Drew and S.G. Warburg & Co.

This will be the largest corporate Ecu note program, although there are larger sovereign programs, with Eksportfinans of Norway in the lead with 2 billion Ecu. The largest issuers of medium-term notes are Abbey National PLC of Britain with the equivalent of $5 billion outstanding and General Motors Acceptance Corp. with a global program of $14 billion, of which $2 billion has been issued in the international market.

Dealers said the longest-dated paper in the note market runs for 15 years and said there was increasing demand in the 5-to-10 year maturity span but the average maturity is four years.

The attraction to borrowers is the flexibility to issue paper tailored to meet investor demand in terms of amount, maturity and currency. Under these conditions, liquidity — the ability to trade the paper — which is so important in the public bond market, becomes less crucial, particularly as most of the paper is short-term. In the Eurobond market, liquidity in the form of large issues that can be traded without affecting prices remains an important concern.

Central Banks Likely to Act Against Dollar Rise

By Carl Gewirtz
International Herald Tribune

PARIS — Foreign-exchange traders and central bankers are heading for a test of wills as the dollar rises toward levels that concerted intervention drove it down from just over a month ago.

Closing at 1.7645 Deutsche marks in New York, the dollar last week erased two weeks of losses after it shrugged off an increase in German interest rates.

The Bundesbank, as feared, did tighten monetary policy last week. But the quarter-point rise in its Lombard emergency lending rate, to 9.25 percent, was only half as large as expected. At the same time, worries about a flagging recovery in the United States appeared to abate, calming worries about a further aggressive lowering of U.S. interest rates.

"The trend in the dollar is up; I'm very bullish," said Andres Drobny, a London-based economist for Bankers Trust Co.

Simon Crane, a London-based adviser to technical traders, called 1.77 DM "a key level." He said a rise to that point could trigger buying by traders who sold the dollar short, betting that it would fall. Rather than accept even steeper losses, these traders would close out their positions at 1.77 DM. "If it can get over that, there are substantial shorts that will have to be covered, and that could push the dollar to test is recent high," he said.

"The dollar won't be in outstanding shape until it does break out, but I do think it will."

Weighed against this optimism is the expectation that the central banks will try to stop the advance.

The banks moved during the Group of Seven summit meeting in mid-July to stop the dollar at 1.8440 DM and continued intervening until it hit 1.78 DM. In the following weeks it fell, touching a low of just under 1.70 DM in early August and then began recovering.

But analysts contend that a strong comeback at this stage is in no one's interest.

"No one wants a strong recovery," warned Richard Koo, a Tokyo-based analyst at Nomura Research Institute, "it could be very destabilizing." He reasoned that the United States needs a low dollar to keep export high and sustain the reviving economy. Japan and Germany, he added, need a low dollar to free monetary policymakers to concentrate on domestic problems.

In particular, he said he saw "trouble for everybody if the yen is allowed to fall." If that happens, "the Bank of Japan will lose its option to ease interest rates," a move needed to help revive sagging Tokyo Stock Exchange prices.

A rising dollar, pushing up the yen cost of imports such as oil and fueling inflation, would limit the central bank's ability to lower interest rates.

"Tokyo is definitely a weak spot in world financial markets. If the [Nikkei] index falls below 22,000, banks will be unable to meet their capital-adequacy requirements," said Mr. Koo. This would tighten

See DOLLAR, Page 9

Bush Says EC Balks At GATT

He Cites Trouble On Agriculture

By Paul F. Horvitz
International Herald Tribune

WASHINGTON — President George Bush said Sunday that U.S. trade negotiators were having "enormous difficulty" persuading European leaders to support agricultural reforms so that the GATT trade talks can succeed.

Mr. Bush, showing frustration on the issue in a discussion with state governors, urged them to lobby European leaders on the subject.

"We're still having enormous difficulty with Europe, particularly on agriculture," Mr. Bush told the governors via satellite during their annual meetung. "A lot of you go over there with trade missions. Please at every turn emphasize the need to move forward with agricultural reform."

Without such changes, including a reduction in government farm subsidies, the Uruguay Round of GATT talks "will not be successfully concluded," Mr. Bush said.

GATT, the General Agreement on Tariffs and Trade, is a multilateral treaty seeking to remove tariffs and nontariff barriers to trade. The current round of talks has bogged down largely over protection of agriculture. The talks, scheduled to end last year, have been extended.

In his comments, Mr. Bush did not single out European nations or leaders he believes need prodding.

"We need the help of every American leader to convince these European leaders," he said, "that the best way to help undeveloped countries, the best way to guarantee an increase in the world economy is to get a successful conclusion of the GATT round."

In Geneva, GATT's director-general, Arthur Dunkel, said in remarks for publication Monday that political leaders "have come to accept that the round is something too big and too important to see lost," Reuters reported.

But he added, "It remains to be seen if, this time round, political rhetoric is to be complemented by political courage."

Oslo Bourse Presses Christiania

Reuters

OSLO — The Oslo stock exchange said Sunday that it would suspend trading in Norway's second-largest bank, Christiania Bank og Kreditkasse, unless the bank gave more information about its troubled financial situation by Monday.

The daily newspapers Verdens Gang and Dagbladet said Sunday that the State Bank Guarantee Fund had agreed to give Kreditkassen nearly 2 billion kroner ($291 million) to rescue it. There was no official confirmation of the reports.

The 5 billion kroner fund was established earlier this year as a safety net for Norway's troubled banks. The other guarantee fund, owned by the banks themselves, said in June that it would transfer to Christiania 624.3 million kroner in preference capital.

Analysts have predicted that Christiania, which on Thursday is to present its results for the first six months of the year, will report a net loss of between 600 million and 1.2 billion kroner. The bank posted a 279 million kroner net loss in the first quarter this year, compared with a 260 million kroner profit in the first quarter of 1990.

The bank had a net loss of 1.85 billion kroner in the whole of 1990.

Cracking German Fortress: A Case Study

By Ferdinand Protzman
New York Times Service

COLOGNE — Arnt Kloser was looking for a fight when he signed on in 1986 as the first managing director of Toys 'R' Us in Germany. From years of experience in German retailing, he knew America's most successful toy retailer was entering an uphill battle against powerful, protectionist interests that flourish behind the welcoming facade of Germany's economy.

The battle began immediately. Initial meetings with officials in several cities proved fruitless. German toymakers greeted their American rival with a partial boycott and a public relations blitz condemning the concept of a self-service toy supermarket as alien and wrong.

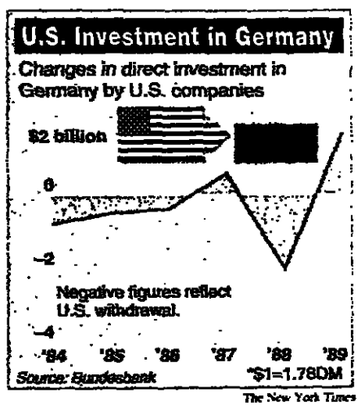
Their news releases made buying a jungle gym without the assistance of a German toy *Fachmann*, or expert, seem a dubious exercise that might end with children being injured.

"The rejection was cleverly presented," Mr. Kloser said. "Everyone was polite. They attacked our concept, but stressed it was not because of anti-Americanism. Their objections were directed against all retailers wanting large-area sales space in Germany. It was protectionism that we had to fight and overcome."

With dogged persistence, clever marketing and financial muscle, Toys 'R' Us (Germany) GmbH fought well enough to become this country's biggest toy retailer.

But others have not been so fortunate, well financed or single-minded. An array of uniquely German legal, technical and cultural barriers — some visible, some not — has discouraged many companies from coming here and given others second thoughts after they arrived.

Indeed, direct American investment has fluctuated wildly in the last few years — up $564 million in 1987, down $2 billion in 1988, up $1.6 billion in 1989 — reflecting both the lure and the cold realities of the German market.



Although less pervasive than in Japan, protectionism in Germany is often just as deep-rooted and effective. The telecommunications, banking, insurance, electrical utility and chemical industries operate as virtual cartels.

It is almost impossible for a foreign company to enter those markets without a German partner. Other barriers include restrictive laws, government subsidies and rigid protocol of an old-boy network that dominates the economy.

The barriers worry Germany's trading partners. The United States, Japan and other non-European nations are concerned that the European Community's single market at the end of 1992 will become a "Fortress Europe," with a bulwark of regulations, subsidies and practices partly inspired by Germany's example.

Meanwhile, Germany's European neighbors fear its powerful industries will conquer their markets from a home base made almost inviolable by entrenched defenses.

Chancellor Helmut Kohl's conservative government plays down such notions. Officials said Germany is a relatively open market and that domestic trade barriers are being abolished in preparation for the single market. They argue that the single market will give foreign companies unprecedented access to Germany and since many American companies are already here, they will benefit from the expansion.

To be sure, some of the biggest American companies — Ford, General Motors and International Business Machines, among others — have been here for decades, and are in effect accepted as equals. However, newer and smaller arrivals face challenges visible and not so visible.

"There is no official policy, but there are a number of 'small p' protectionist features here," said John W. Bligh Jr., minister-counselor for commercial affairs at the U.S. Embassy. "I don't question the Kohl government's sincerity. The senior officials believe in competition. The bureaucracy is a different matter."

Despite the difficulties, there are compelling reasons to set up shop in Germany: its 80 million inhabitants, the world's third-largest economy and a modern infrastructure.

"If you can do business here, if you can meet Germany's high technical and quality standards, you can do business anywhere in Europe," Mr. Bligh said.

Thomas T. Krauss, the general manager of the American Chamber of Commerce in Germany, described the German market as complex, tough and very mature. "This is a very rich

See FORTRESS, Page 11

East Germans, Free to Play Capitalist Markets, Mostly Don't

By Richard E. Smith
International Herald Tribune

FRANKFURT — The average East German, drilled for four decades in the evils of capitalism, has had over a year to play the markets and has basically chosen not to. At least for the moment.

With unemployment soaring and rents rising, East German funds are flowing into savings accounts and occasionally into bonds and mutual funds, with a trickle making its way into the stock markets.

But most people are staying liquid and worrying about next month.

"Everything is changing so fast and we have to be careful with the resources we have," said Renate Mahn, a Berlin housewife who faces a big rent increase this autumn and lives on a fixed income with her retired husband.

The funds accumulated by the 16 million East Germans, by most estimates around 140 to 150 billion Deutsche marks ($79.5 to $85 billion), are extremely attractive to the banks and financial institutions setting up shop in the east.

But the bulk is believed to be parked in simple savings accounts and most of the rest in longer-term savings vehicles or government securities. To the delight of the Bundesbank and others who feared an initial consumer frenzy that might have stoked inflation, the East Germans spent much less than widely expected on consumer goods in their first flush of freedom.

"At this point the East Germans are mainly comparing interest rates and shifting funds between low-risk vehicles to get the best yield," said Udo Behrenwaldt, managing director of the mutual funds arm of Deutsche Bank.

The rest of the market remains fairly bewildering for investors who for decades knew nothing but savings accounts with the unchanging rate of 3.25 percent.

"West Germans saw their investment possibilities widen gradually as the economy grew through the years but East Germans are being confronted overnight with hundreds of new products," said Heinz-Jörg Platzek, chief of the mutual funds arm of Dresdner Bank.

The most suspect investment remains corporate stock, the most abiding symbol of capitalism and the vehicle most demonized in East German textbooks.

"People are learning slowly after forty years of disinformation," said Franz-Josef Leven, spokesman for the German Stocks Institute in Düsseldorf, a group supported by banks and stock exchanges to promote investment in securities.

"No one really understands stocks at this point and they have a thousand other things on their minds," said Heinz Vortmann, economist with Berlin's German Institute for Economic Research. "The major incentive is to avoid risk at the moment."

In addition, the East Germans are getting their first taste of market investments at a time when high interest rates, largely a result of the union with West Germany, have sapped some of the stock market's vigor and made bonds and savings accounts all the more attractive.

The distrust of stocks is not all a product of past training or weak markets, however.

Mr. Leven said his institute had received a series of complaints from East Germans asking what they can do about telephone or door-to-door salesmen selling apparently phantom stocks.

"Odd kinds of insurance policies and dubious real estate are being sold and this has made people begin to be cynical," said Wolfgang Riedel, a board member of the Savings Bank of Bonn who also functions as an advisor to the Mittelbrandenburg Savings Bank in Eastern Germany.

Bankers expect interest to slowly take root in stocks but note that West Germans have also traditionally been among the world's most conservative investors, with bulging savings accounts and relatively small stock holdings, not even to speak of the general aversion to higher-risk derivative products.

Mutual funds have found the most interest among East Germans, allowing novice investors to start playing the market but leaving the decisions to professionals. So far East Germans have invested roughly 600 million DM in funds managed by Dresdner Bank and some 200 million DM in Deutsche Bank products with the bulk going into bond rather than stock funds.

Since East and West Germans are turning out to have roughly similar investment approaches, money managers have generally not tailored investment vehicles specifically for Eastern Germany.

But they widely expect that East Germans will be channeling more and more funds into vehicles geared for home improvement and for protection in old age.

CURRENCY RATES

Aug. 16

Cross Rates

	$	£	D.M.	F.F.	Lire	D.Fl	B.F.	S.F.	Yen	C$	Peseta
Amsterdam	1.982	3.30	1.1274	0.3355	0.1505 *	——	5.672 *	1.3892	1.444 *	1.7225	1.885 *
Brussels	34.995	58.26	19.925	5.857	2.7501 *	17.6745	——	23.5325	0.2456	31.51	33.25 *
Frankfurt	1.7745	2.925	——	0.294	0.1338 *	0.8871	4.854 *	1.1456	1.28 *	1.529	1.61 *
London (£)	1.4685	——	2.9285	0.8595	2.189.58	2.3913	68.24	2.6579	238.855	1.9811	182.98
Madrid	169.464	182.885	57.49	16.376	8.24 *	55.458	3.8531	71.499	79.998 *	95.616	——
Milan	1,368.75	2,191.35	148.29	220.24	——	444.61	30.367	855.87	9.516	1,144.48	11.977
New York (b)	——	1.4592 a	1.7645	0.499	1.227.69	1.9998	36.325	1.5445	157.385	1.3451	118.29
Paris						Closed					
Tokyo	137.85	220.28	78.41	23.86	0.1047	69.55	2.3969	69.28	——	119.78	1.2539
Toronto	1.3445	1.2854	0.6486	0.1988	0.867 *	0.5755	2.155 *	0.7486	0.8327 *	——	1.047 *
Zurich	1.539	2.567	1.0255	0.3573	0.117 *	0.776	4.2591 *	——	1.2117 *	1.3451	1.4815*
1 ECU	1.1765	1.7989	2.9894	0.8728	1.436.38	2.3717	42.3409	1.793	168.382	1.34	118.329
1 SDR	1.3334	0.7975	2.3228	1.7149	1,144.65	2.6533	48.0324	2.0418	182.742	1.5279	145.969

Closings in Amsterdam, London and Zurich, fixings in other centers; New York closing rates and Toronto rates at 3 p.m.
*a: To buy one pound; b: To buy one dollar; *: Units of 100; N.Q.: not quoted; N.A.: not available.*

Other Dollar Values

Currency	Per $	Currency	Per $	Currency	Per $	Currency	Per $
Argen. austral	1955.6	Greek drac.	192.65	Mex. peso	3028.01	S. Afr. rand	2.8785
Austral. $	1.2853	Hong Kong $	7.76	N. Zealand $	1.7467	Soviet ruble*	0.5959
Austr. schil.	12.31	Indian rupee	26.04	Norw. krone	6.841	Spanish krona	4.3575
Brazil cruz.	373.08	Indo. rupiah	1930.00	Phil. peso	26.65	Taiwan $	26.70
Chinese yuan*	5.3484	Irish $	0.6545	Port. escudo	149.75	Thai baht	25.44
Danish krone	6.76	Israeli shek.	2.32	Saudi riyal	3.75	Turkish lira	4493.01
Egypt. pound	3.2977	Kuwaiti dinar	0.2902	Sing. $	1.7205	UAE dirham	3.6727
Fin. markka	4.341	Malay. ring.	2.7733	S. Kor. won	733.80	Venez. bolfv.	59.20

*New York rates unless marked * (local rate.)*

Forward Rates

Currency	30-day	60-day	90-day	Currency	30-day	60-day	90-day
Pound Sterling	1.4630	1.4588	1.4491	Canadian dollar	1.1479	1.1508	1.1535
Deutsche mark	1.7553	1.7607	1.7662	Japanese yen	136.99	137.18	137.32
Swiss franc	1.5249	1.5378	1.5469				

Sources: NMB Bank (Amsterdam); Indosuez Bank (Brussels); Banca Commerciale Italiana (Milan); Banque Nationale de Paris (Paris); Bank of Tokyo (Tokyo); Royal Bank of Canada (Toronto); IMF (SDR); Gosbank (ruble). Other data from Reuters and AP.

Last Week's Markets

All figures are as of close of trading Friday

Stock Indexes

United States	Aug. 16	Aug. 9	Chge
DJ Indus.	2,948.02	2,966.20	+0.06 %
DJ Util.	202.74	203.18	—0.22 %
DJ Trans.	1,190.41	1,215.09	—2.03 %
S & P 100	344.78	347.44	—0.72 %
S & P 500	386.58	387.32	—0.40 %
S & P Ind	457.93	461.09	—0.69 %
NYSE Co	211.62	212.17	—0.26 %
Britain			
FTSE 100	2,421.00	2,370.00	+1.98 %
FT 30	2,041.90	2,005.50	+1.82 %
Japan			
Nikkei 225	22,814.	23,435.	—2.65 %
Germany			
DAX	1,653.33	1,632.21	+1.29 %
Hong Kong			
Hang Seng	4,063.28	4,024.01	+0.98 %
World			
MSCIP	594.10	597.40	—0.65 %

World Index: From Morgan Stanley Capital Int'l.

Money Rates

United States	Aug. 16	Aug. 9
Discount rate	5½	5½
Prime rate	8½	8½
Federal funds rate	5¼	5 9/16
Japan		
Discount	5½	5½
Call money	7 13/32	7 15/32
3-month interbank	7¼	7 9/32
Germany		
Lombard	9½	9.00
Call money	8.90	9.00
3-month interbank	9¼	9.30
Britain		
Bank base rate	11.00	11.00
Call money	11 1/16	11¼
3-month interbank	10 13/16	10 13/16

Gold	Aug. 16	Aug. 9	Chge
London p.m. fix.$	357.75	358.20	—0.13 %

U.S. Puts 6 HDTV Systems to the Test

By Edmund L. Andrews
New York Times Service

ALEXANDRIA, Virginia — The race to develop high-definition television in the United States has reached a crucial juncture, as six rival technologies are undergoing official testing in a red-brick building in this suburb of Washington.

Five of the systems provide what is claimed to be true high-definition television. The government has defined this as a system that provides wide-screen pictures with twice the resolution of ordinary television and sound as clear as that on compact disks. The sixth uses a more modest approach, using current broadcast standards to transmit improved pictures.

Now they must show that they can perform in the real world. Can the signal fight off static if someone is running a vacuum cleaner in the house? Will it reach the outlying suburbs in a metropolitan area? Will people see TV ghosts on their screens or pick up interference from adjacent channels, mobile radios and airplanes?

The answers will be determined primarily by what happens at the Advanced Television Test Center, an industry-financed laboratory here that will evaluate each system and send the results to the Federal Communications Commission, which is supposed to make a choice by June 1993.

Testing started last month, but there are still many uncertainties about how accurate the results will be and how they should be interpreted. Because the systems make different trade-offs affecting sharpness, color, sound quality and the distance signals can travel, it is possible the tests will produce no obvious winner. In that case, the decision is likely to become more political as the FCC weighs competing benefits.

"It's a little like feeling parts of the elephant in the dark and trying to figure out that it is an elephant," said Robert Rast, vice president for advanced television at the Videocipher division of General Instrument Corp., one of the competitors. The tests "will yield useful information about the proponent systems," Mr. Rast continued. "The question is whether it will yield enough information and the right information."

The systems will be analyzed by television specialists and by nonexpert viewers in Canada, who will rate the pictures by their own standards of what is important.

This is the first time anywhere that a government has set up a winner-take-all competition to develop a standard for broadcasting. Developers of the winning system will be able to reap lucrative royalties from the rest of the industry and perhaps dominate the market for advanced television equipment.

Two systems being evaluated were developed by the Advanced Television Research Consortium, a joint venture of North American Philips Corp., General Electric Co.'s NBC unit, Thomson SA of France and the David Sarnoff Research Center. General Instrument and the Massachusetts Institute of Technology, former rivals, have teamed up and are now fielding two all-digital transmission systems.

Another digital system is being offered by Zenith Electronics Corp. and American Telephone & Telegraph Co. NHK, the Japanese broadcasting company, is proposing a system to send programming largely in analog form, as waves.

But the testing, which began last month and is to be completed in June, is also suffused with a technical paradox. The rival systems are all intended for over-the-air broadcasting and must be able to cope with everything from electrical storms to noise from police radios.

Yet precisely because the environment is so chaotic, it is impossible to recreate identical test conditions for each system in field trials.

As a result, almost all the testing is being done by mimicking the environment in a closed laboratory setting. Indeed, over-the-air field tests will be conducted only on the system that wins in the laboratory and will be intended only to verify the lab results.

But some participants in the competition say that may not be enough. "It's not easy to recreate all these crazy conditions you get in the field," said Peter Bingham, president of Philips Laboratories, the research arm of North American Philips. "There is an evolution of opinion toward exercising more than one system in the field."

Those who developed the testing plan say it offers the best chance for choosing the best system. "It's only in this fashion that you can control all the factors sufficiently to get the information you're seeking," said Peter M. Fannon, executive director of the test center. Mr. Fannon added that all the competitors played a role in developing the test process.

Each contestant will supply a transmitter and receiver that will be connected by wire to testing equipment at the laboratory. Laboratory technicians will inject a wide range of competing signals and other "noise" onto the line. A panel of television specialists will then scrutinize the pictures on a high-definition projection screen and on conventional television sets.

Kuwait Prepares to Halt Imports of Oil Products

Reuters

KUWAIT — Kuwait will stop importing refined oil products at the end of August when its war-damaged Ahmadi refinery resumes processing, Oil Minister Hamoud Abdulla al-Raqba said in remarks published on Sunday.

Mr. Raqba told the Sawt Al-Kuwait newspaper that repairs to the refinery, damaged by Iraq during the Gulf war, had been completed and would resume processing 130,000 barrels of crude per day to cover all domestic requirements.

Kuwait, a major exporter of refined products before Iraq's invasion on Aug. 2, 1990, has relied on imports to fuel power stations and desalination plants and meet local demand for gasoline and diesel.

Meanwhile, Iran's oil minister, Gholamreza Aqazadeh, said in Kuwait that OPEC's second-biggest crude exporter was pressing ahead with plans to increase oil-production capacity to 5 million barrels per day from 3.5 million at present.

Mr. Aqazadeh, who is visiting Kuwait, said Iranian teams had embarked on an extensive drilling program to increase output. Foreign drilling experts would be invited to join them.



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WEEKLY INTERNATIONAL BOND PRICES

Provided by Credit Suisse First Boston Limited, London, Tel: 323 11 30. Prices may vary according to market conditions and other factors. Aug.16

Dollar Straights

Issuer	Cpn	Mat	Price	Yld	Spd Tsy

Governments/ Supranationals

Banks & Finance

Global Corporates

Deutsche Marks

Floating Rate Notes

Issuer & Mat	Price	Cpn

Dollar Zeros

Issuer	Mat	Price	Yld	Spd Tsy

Pounds

Dollars

Ecus

NL — No initial sales issue. f — Previous day's quote. * — Redemption charge may apply. x — Ex dividend.

MUTUAL FUNDS

Figures as of close of trading Friday, Aug.16.

NEW YORK (AP)— The following quotations, supplied by the National Association of Securities Dealers, Inc., are the prices at which these securities could have been sold (Net Asset Value) or bought (value plus sales charge) Friday.

	Bid	Ask
AAL Mutual:		
CaGr p	12.79	13.43
Incp p	9.87	10.35
MuBd p	10.21	10.72
AARP Invst:		
CaGr	26.91	NL
GlnIM	15.55	NL
GlnInc	26.89	NL
HQ Bd	15.62	NL
TxFBd	17.87	NL
ABT Funds:		
Emrg p	11.80	11.56
Gr&I p	10.44	10.96
GlnIn p	9.88	10.37
Utilin p	12.07	12.62
AdmCa p	17.35	18.79
AEGON USA:		
CapApp	4.22	4.44
HiYld	9.96	10.43
Gwth	8.28	8.51
TaxEx	11.50	12.03
AFA Mny	10.00	10.00
AFA Tele	15.14	15.90
AHA Bnl	11.47	NL
AHA Plus	10.28	NL
AIM Funds:		
Chart p	8.17	8.65
Const p	10.87	11.50
CvYld p	11.81	12.48
HiYld p	5.16	5.42
LmMun p	10.02	10.28
Summit	9.47	
Weing p	15.48	16.36
AMA Funds:		
CapGr p	7.93	8.33
GlbGr p	22.04	23.16
GlbInc p	10.24	10.93
USGv p	8.76	9.00
AAEV Funds:		
AsiaI p	12.88	13.49
CapII p	15.98	16.78
CpAp p	17.45	18.37
Fdrl p	25.88	26.97
GvTR p	9.36	9.69
Grwth p	23.55	25.01
HiYld p	9.48	9.97
TF MM	9.87	10.34
TF Nat	10.35	10.85
TF NY	10.35	10.85
US Gv	9.85	10.29
ABF Funds:		
Cp Bd	9.48	NL
InflEq	10.85	NL
PrecSc	17.97	NL
ASD Bd	10.56	10.89
ASD Eq	12.83	13.31
ASD MM	10.00	10.00
Afuture	10.68	NL
Advance America:		
Feline p	9.81	10.31
TF Ins p	9.95	10.45
US Gv p	9.39	9.86
Advest Advant:		
Gwth p	8.44	8.44
Gwth p	15.54	15.54
NY Bd p	7.26	7.26
Incp p	11.01	11.01
Spl p	14.34	14.34
AlgerSCpt	19.55	19.55
AlgerGT	17.07	17.07
Alliance Cap:		
Alicn p	6.35	6.72
Balan p	12.65	13.23
Calnd p	5.71	5.86
Countl p	10.80	10.89
GlbSA p	10.06	10.65
Govt p	8.18	8.57
Grinc p	8.76	9.17
HI Id p	8.26	8.52
Int-Ar	13.95	14.56
Muni p	9.48	9.92
BdEndw	18.13	NL
Boston Co.		
CapAs p	26.47	NL
Intl	11.31	NL
IntGv p	12.22	NL
Mgd I	17.82	NL
SpGrn p	16.26	NL
Brndyw	19.72	NL
Bruce	83.78	NL
Bull & Bear:		
CaGr p	6.76	NL
Equinc p	12.58	NL
INCI p	10.19	NL
Gold p	12.59	NL
MlYld p	8.51	NL
SpEqu p	18.19	NL
TxFr p	17.58	NL
USGv p	14.20	NL
Burnhm	20.54	21.62
CGM Funds:		
CapDv	29.87	NL
Mutl	26.89	NL
Calmas f unavail		
CalMun p	8.70	8.70
CalTr f	11.80	NL
CalUS	9.77	NL
Calvert Group:		
Ariel	27.59	NL
ArietA	17.97	18.77
Cavell p	22.07	22.11
Incp	14.36	17.13
Social p	28.08	29.48
Socfd	14.22	17.03
SocEq	18.91	19.84
T+F Lt	10.66	10.88
T+F Lg	15.79	16.58
T+F Vl	15.39	16.06
US Gv	13.12	13.87
WshA p	12.35	12.99
Capstone Group:		
CshFr	9.47	10.12
FdSW	16.05	16.85
Gvtinc	4.70	4.70
MedRs	16.50	17.32
PBHG	11.58	11.58
Ror Ei	6.69	7.02
Trend	14.26	14.97
Cardinal	19.17	19.81
Carnegie Capital:		
EmGr p	10.86	11.37
Grwth p	19.11	20.01
TRsrh p	11.23	11.76
Carnegie Funds:		
Govt p	9.23	9.66
TEGNC	9.28	9.72
TENNI	9.70	10.16
Cardnl	11.85	12.95
CrgnGv	8.92	9.34
Cnl Shs	19.32	NL
CharlBC	11.70	11.70
Chestnt	111.59	NL
CIGNA Funds:		
Aggrsv p	16.37	17.23
GvSec p	10.08	10.61
Grwth p	15.12	15.92
HiYld p	8.47	8.92
Incm p	7.69	8.09
Muni p	7.99	8.41
Util p	13.50	13.91
Value p	17.24	18.17
Citibank IRA-CIT:		
EqIn f	4.73	5.17
Equit f	2.91	NL
Incom f	1.82	NL
Cliper	45.10	45.10
Colonial Funds:		
AGold p	7.05	16.66
CalTE	7.06	7.43
CpCsh p	44.81	45.72
Energy p	12.13	7.12
Fund p 20.772	22.06	
GvSec p	10.65	11.18
Grwth p	12.13	13.01
HiYld p	5.61	5.97
Incom p	6.38	6.61
IntEq p	15.54	16.49
MATA	7.28	7.44
MI TE	6.23	6.46
MITxF	6.77	7.02
NY TE	6.77	7.02
ONTE	6.92	7.29
Optim p	11.78	12.56
TXIm p	7.31	8.19
TxEx p	13.11	13.76
TxFr p	8.85	9.28
US Gp p	10.85	20.08
Colonial VIP:		
Capital I	11.16	11.16
PdSec	11.09	11.09
Gwth I	11.45	11.45
HiYld I	9.80	9.80
HYMu I	9.76	NL
IntMd I	10.17	10.17
Colonials Funds:		
Fland	14.00	
Govt	8.61	NL
Grwth	9.23	NL
Muni	11.40	NL
Specl	48.66	NL
Common Sense:		
Govt	11.22	12.03
Grwth	14.92	14.92
Incm	14.24	15.26
Muni	12.47	13.36
Compass Capital:		
Equinc	11.72	NL
Fxdin	10.27	NL
Grwth	12.25	NL
Shtinc	10.36	NL
Comstelle Group:		
GSOth p	11.19	11.56
Gwth p	11.88	12.36
Incm p	8.56	8.92
TxEx p	7.39	7.65
USGv p	10.32	10.73
Conn Mutual:		
Govt	10.94	11.46
Grwth	13.96	14.89
Incm	7.56	7.92
Cooley	15.88	NL
CorEnlgh	19.31	NL
Cornerstone Group:		
CapAp	11.39	NL
Eqtin	15.87	NL
GblFxd	9.45	NL
GvSec p	12.15	12.78
Grinc p	15.26	16.13
HYBd p	9.88	10.37
IntGv p	10.76	11.31
CopVp p	12.92	13.53
CvSec	8.18	NL
Drevf	12.22	NL
GNMA p	14.85	NL
GthOp	11.68	NL
Index unavail		
InsMu p	17.92	NL
Interm	11.11	NL
Levge	17.78	18.62
Mass Tx	15.81	NL
NJ Mun	12.75	NL
NwLd p	31.13	NL
NY Tax	15.82	NL
NYTE p	11.91	NL
NYIn p	10.76	NL
Peoplin unavail		
Shint	12.71	NL
ShtGv	11.41	NL
StrAp p	30.37	31.27
Stinc p	13.26	13.67
Stinv p	10.38	10.69
StrW p	28.28	29.15
Tax Ex	12.86	NL
TxFrCt	13.44	NL
USG Bd	13.44	NL
USIn	12.58	NL
Dreyfus Generstl:		
GNMA p	14.58	15.36
GroA	12.78	NL
GSBd	12.79	NL
GNYp	18.99	NL
Dreyfus Premier:		
CalMu p	12.30	12.96
CTMu p	11.53	11.86
FLMu p	14.68	14.72
GNMA p	14.68	15.36
MDM p	12.21	12.79
MIMu p	14.50	15.18
MAMu p	12.91	13.52
MNM p	14.41	15.09
NYM p	13.92	13.95
OHMu p	12.79	13.40
PAMu p	15.27	16.09
MuBd p	13.49	14.13
Duncnhl	6.92	NL
Eaton Vance:		
EVGlb	14.09	14.79
EVHiOp	9.47	9.94
Grwth p	9.53	9.64
InBos p	7.42	7.78
InNat p	7.49	7.86
MunBd	9.42	9.86
Mourth	14.98	15.71
NTxGl p	9.91	10.39
STStry p	51.68	51.68
SpEqt p	27.42	28.80
TxMgd p	9.47	9.94
Edgen V Marathn:		
ColMkt	9.98	9.98
Equinc	9.61	NL
FlTxFr	10.56	10.56
Hilnc	9.53	9.53
NJMun	9.52	9.52
NJ TFI	10.29	10.29
NYTF	10.23	10.23
PATFI	10.23	10.23
EclipEq	11.08	NL
Emerson Funds:		
ErnEc	11.39	11.81
IntGv	10.55	10.99
Gr Reg	10.36	10.82
RelEq	11.48	11.89
St Fxd	10.24	10.69
Emerald	10.66	10.11
Endow	17.94	NL
Enterprise Group:		
Gnma p	14.45	15.45
GvSec p	12.15	12.78
Grinc p	15.26	16.13
HYBd p	9.88	10.37
IntGv p	10.76	11.31
Equity Strategies:		
CAHY f	10.33	NL
GvSec	10.38	NL
GNMA	10.15	10.15
Govin	10.78	NL
Grwth	10.92	10.92
Intmd	10.56	11.34
LtdGv	10.12	NL
LTG	11.34	11.34
MATF	10.33	NL
Munin r	10.33	NL
NJHY f	10.89	NL
NJInt f	10.61	NL
PAHY f	10.11	NL
SmMu	9.43	NL
Fidelity:	17.70	NL
Financial Funds:		
Dynmn p	8.96	NL
USGvI p	7.51	NL
Eqtin	8.90	NL
Envrn	8.90	NL
Eqty	14.75	NL
Europe	13.33	NL
FinSvc	13.33	NL
Flex	15.74	NL
Gold	12.46	NL
IntlGr	14.35	NL
Util	9.49	NL
USGr r	15.30	NL
Gold	4.84	NL
HiMSc	37.55	NL
HiYld p	6.49	NL
Indust p	9.72	NL
Indinc p	10.52	NL
Leisur	15.58	NL
Select	12.61	NL
Strinc	9.53	NL
Tech	19.34	19.43
FlaMEq	17.83	18.47
FlaMun	11.49	11.89
FlaUsEq	9.77	10.07
FstEqu r	12.33	12.33
Fidelity Selects:		
SlChe p	13.50	14.43
Gbinc	7.89	NL
Govt p	11.37	12.01
HiInY p	9.53	9.53
Incp p	3.53	3.70
InvGr p	9.50	10.30
MuInc p	10.57	10.57
NYTF p	14.80	15.46
SocBd	10.84	11.47
SpSit p	12.12	13.02
T+Ex p	10.96	10.96
TotRt r	11.96	12.85
First Trust:		
FtFinc p	14.27	14.94
TFins p	16.01	16.76
USGv p	10.61	11.11
Flgp Investment:		
Bal p	11.82	14.46
IntTr p	10.34	10.72
MMun p	10.72	10.72
Quito p	12.17	12.74
Telin p	10.16	10.66
TRTs p	10.14	10.64
Flagship Group:		
AATE p	10.07	10.51
AZTE p	9.84	10.27
CalCap p	29.22	NL
CTTE p	9.86	10.29
FLTE p	9.91	10.34
GATx p	9.97	10.41
GovtSc	9.74	NL
Grolnc	19.34	20.26
GroCo	26.88	28.09
HiYld	12.63	NL
InsMu	10.56	11.04
IntBd	10.16	NL
LidSha	9.25	NL
LowPr	12.01	12.01
Magin	67.02	69.39
MI TF	11.10	NL
MN TF	10.45	NL
MNInc	10.61	NL
MunBd	10.72	NL
NY HY	11.92	NL
NY Ins	11.12	NL
NY TF	11.12	NL
OTC	24.72	25.48
Ovrse	25.39	25.98
Pacfic	13.75	14.23
Puritn	17.75	18.45
ResGr	16.44	NL
Shtinc	9.27	NL
SmCap	21.72	22.35
StkSlc	14.65	NL
USBI	10.51	NL
Utilinc	12.32	NL
Value	22.39	NL
Vrtxeq	11.41	NL
Fidelity Instl:		
CTAB	8.99	NL
EqGr p	24.19	NL
ESP I	11.37	NL
IP STD	10.34	NL
SpSit	12.12	NL
TE Ltd	10.74	NL
Fidelity Selects:		
SlcFn p	13.33	13.33
SlAGI r	14.65	14.68
SlBnk r	28.25	29.12
SlBrk r	9.84	10.14
SlChe p	28.25	29.12
SlCnD r	14.84	15.29
SlDef r	14.84	14.42
SlEner r	20.86	21.50
SlEnS r	15.41	15.89
SlEnv r	11.51	11.87
SlFin r	15.41	15.89
SlFoo r	34.48	35.55
SlGld r	8.47	8.73
SlHeC r	13.81	14.24
SlHou r	19.36	19.96
SlIns r	17.86	18.41
SlLei r	12.22	12.60
SlNat r	13.07	13.47
SlPap r	13.82	14.25
SlPrc r	16.25	16.74
Flgr Plywnth:		
Europ p	9.27	9.73
GovSc p	9.49	9.82
Grwth p	20.52	21.26
HiMu p	11.27	11.63
HiYld p	9.74	10.03
Incom p	9.78	10.08
Int Bd p	9.78	9.93
SpcSit p	21.14	22.19
Fidelity Spartan:		
CAHY f	10.33	NL
CAIT f	10.61	NL
GNMA	10.15	10.15
Govin	10.78	NL
Grwth	10.92	10.92
Intmd	10.56	11.34
LtdGv	10.12	NL
LTG	11.34	11.34
MATF	10.33	NL
Munin r	10.33	NL
NJHY f	10.89	NL
NJInt f	10.61	NL
PAHY f	10.11	NL
SmMu	9.43	NL
Fidelity Trend	17.70	NL
Financial Portfolios:		
Dynmn p	8.96	NL
USGvI p	7.51	NL
Eqtin	8.90	NL
Envrn	8.90	NL
Eqty	14.75	NL
Europe	13.33	NL
FinSvc	13.33	NL
Flex	15.74	NL
Gold	12.46	NL
IntlGr	14.35	NL
Util	9.49	NL
USGr r	15.30	NL
Gold	4.84	NL
HiMSc	37.55	NL
HiYld p	6.49	NL
Indust p	9.72	NL
Indinc p	10.52	NL
Leisur	15.58	NL
Select	12.61	NL
Strinc	9.53	NL
Tech	19.34	19.43
FlaMEq	17.83	18.47
FlaMun	11.49	11.89
FlaUsEq	9.77	10.07
FstEqu r	12.33	12.33
Fidelity Selectors:		
SlCha p	13.50	14.43
Gbinc	7.89	NL
Govt p	11.37	12.01
HiInY p	9.53	9.53
Incp p	3.53	3.70
InvGr p	9.50	10.30
MuInc p	10.57	10.57
NYTF p	14.80	15.46
SocBd	10.84	11.47
SpSit p	12.12	13.02
T+Ex p	10.96	10.96
TotRt r	11.96	12.85
First Trust:		
FtFinc p	14.27	14.94
TFins p	16.01	16.76
USGv p	10.61	11.11
Flgp Investment:		
Bal p	11.82	14.46
IntTr p	10.34	10.72
MMun p	10.72	10.72
Quito p	12.17	12.74
Telin p	10.16	10.66
TRTs p	10.14	10.64
Flagship Group:		
AATE p	10.07	10.51
AZTE p	9.84	10.27
CalCap p	29.22	NL
CTTE p	9.86	10.29
FLTE p	9.91	10.34
GATx p	9.97	10.41
Goldman Sachs:		
AdjGv	10.01	10.01
CapGr	13.29	13.29
GlInc	14.52	14.97
GthOp	14.41	15.25
HiYld	11.17	11.17
InvGr	10.17	10.17
Grantham Fund:		
EstGr p	10.67	NL
Gwth p	12.12	13.20
Grthn p	11.48	NL
Muir fp	5.89	NL
Fleming Funds:		
GlSit r	9.22	9.93
HiQul f	14.57	14.72
Incom p	10.73	10.73
Japan p	10.09	10.19
Util r	10.92	10.92
Fortis Investors:		
Bond	11.69	12.14
HanCap	8.96	9.41
Fortress Funds:		
Grwth	14.50	NL
Hi Inc	17.34	NL
HiCapAp	12.34	NL
Value	13.23	NL
Bond	10.73	NL
Heartland Funds:		
Heartld p	9.62	10.07
Heartld p	14.91	15.61
Hemisphere Fds:		
DncEq	10.50	NL
GrEq	14.16	NL
Inc	11.72	NL
IncEq	11.72	NL
Value	10.43	NL
Hercules Funds:		
Hercfd p	12.29	12.29
Hrcinc p	9.86	10.06
Hrcinv p	10.26	NL
Hrcmgr	10.26	NL
Hrcpm p	12.79	12.99
Hummer	18.46	NL
Huntington Funds:		
Grwth	10.47	10.18
Gnma	14.12	14.45
Intmd	10.27	10.60
Invstr	10.27	10.60
Shtint	10.27	10.60
IAI Funds:		
Emrgd	10.92	NL
IntMd f	10.50	NL
Reg p	21.21	NL
Stock p	10.50	NL
Value	10.21	NL
Icahn Group:		
BioCp s	5.84	6.15
Bond p	5.73	6.05
Capvl p	6.73	7.09
Dstry p	5.91	6.22
Fdtn p	5.91	6.22
Indep p	5.91	6.22
Inves p	5.91	6.22
Mass p	5.91	6.22
Mutl p	5.91	6.22
Ohio p	5.91	6.22
Pens p	5.73	6.04
Prop p	5.79	6.10
Select p	5.75	6.21
Stock p	19.51	20.54
Strat p	5.91	6.22
StrEq p	5.91	6.22
StrFd p	5.91	6.22
StrWG p	5.79	6.11
Utilin p	3.79	4.11
ISI Trst	10.16	10.63
IDEX Group:		
Capvl	17.34	18.85
Ida Ib	15.77	16.49
Idex 3	17.38	18.59
Valinc	8.58	9.01
Independence Cap:		
Count p	10.49	10.95
Dscpl p	10.67	11.17
TR Gr p	10.25	10.71
InvPrt p	10.25	10.76
InvSer Optiml:		
Eqty	11.49	12.19
Hilnc	8.59	9.11
GvtSct	11.38	12.52
Muni	10.96	10.96
Inv Resh	5.40	5.67
ISIel p	12.19	13.39
Ivy Funds:		
Bond	17.13	NL
Gthinc	9.34	NL
Intl	19.42	NL
Japan p	12.07	12.67
Pacti p	11.88	12.47
Prpsn p	13.75	14.44
GW Sierra Pf:		
CalBd p	10.16	10.66
CalInc p	10.09	10.57
CA TF p	10.03	10.52
Grinc p	10.99	11.51
StInTr p	8.61	9.02
StMuIn p	10.33	10.82
Gabelli Funds:		
Asset p	17.70	NL
CapSc	11.48	12.00
Equin p	12.19	12.94
Value p	9.43	9.98
Galaxy Funds:		
EqGth	11.80	NL
EstVal	11.35	NL
MID Bd	10.16	NL
MIBd	10.28	NL
GamaGr	10.29	NL
Gatewin	14.90	NL
Gelco to unavail		
GenInc Inv:		
ElDiv	12.48	NL
EMGI	12.44	NL
FdInc	11.98	NL
IntInTr	11.28	NL
IntlTx	11.28	NL
SmCap	11.28	NL
SBS Lg	11.51	NL
GenSec	13.65	13.74
Gintel Group:		
CoAp p	14.33	NL
Erise p	39.02	NL
Gintel	77.52	NL
KYTE p	10.22	10.67
LITE p	10.09	10.53
MITE p	10.86	11.34
OHTE p	10.77	11.24
PATE p	9.45	10.07
TXTE p	10.47	10.93
Flex Funds:		
Bond p	11.56	NL
Grth p	11.49	NL
Muir fp	5.89	NL
Fleming Investor:		
Gisir	9.22	9.93
HiQul f	14.57	14.72
Incom p	10.73	10.73
Japan p	10.09	10.19
Util r	10.92	10.92
Founders Grp:		
BlueCp	7.73	
Discv	14.48	NL
Grwth	17.34	NL
Incom	8.09	NL
Mutl	12.13	NL
Frankln Group:		
Adjus	9.98	10.49
AL TE	10.84	11.39
AZ TF	10.84	11.39
Collns	11.34	11.81
CalTF	8.99	9.28
CO TF	10.84	11.39
CT TF	10.84	10.79
CVISC	9.83	10.34
Eqlty	7.52	7.83
Eqtyinc	11.46	11.96
FedTx	11.46	11.96
FLTF	10.84	11.39
GA TF	11.22	11.68
Gldsit	14.12	14.45
Grwth	24.82	27.94
HY TF	10.84	10.84
Income	2.30	2.41
InsTF	11.32	12.01
LA TF	10.87	11.33
MD TF	10.87	11.34
MI TF	10.87	11.33
MO TF	10.86	11.36
NJ TF	10.87	11.34
NC TF	10.85	11.31
OH TF	10.87	11.34
PA TF	10.87	11.34
Prmg	6.28	6.58
Rising	7.68	8.04
Sh Gov	10.91	11.43
SpSit	11.51	12.00
Strinc	7.89	7.89
Tax Ex	10.87	11.34
Tx Ins	10.87	11.34
US Gov	10.84	11.36
Utilin	7.49	7.81
Franklin Mgd Tr:		
CpQul p	21.17	21.68
Eqlnc p	7.49	7.67
InvGd p	10.49	10.96
FlaGv p	13.07	14.46
Freedom Group:		
Envrn p	9.47	
EqVal f	11.15	11.75
GlGth f	10.44	10.44
GlInt f	10.14	10.14
Gold f	14.90	14.90
GvtSc f	10.11	10.11
MgTE f	9.93	9.93
RsBk f	13.10	13.10
Strat f	10.00	10.00
FmntCA	17.28	NL
FmntMA	11.28	NL
Fund Trust:		
Asset	14.53	14.78
Grth fd	13.85	14.06
Grol fd	14.27	14.49
Val fd	9.55	9.70
GAM Funds:		
Glbl	105.97	111.55
Intl	129.46	136.27
GT Invst:		
Eqpac	19.82	NL
Europ	10.71	NL
InMex	6.90	NL
TFVA	17.35	NL
GNA:	9.86	9.86
GT Global:		
Amer p	14.25	14.96
Bond p	10.80	11.34
Euro p	9.24	10.03
Grinc p	9.74	10.57
Grinc	5.27	5.53
HiCr r	17.44	18.31
Japan p	12.27	13.15
Japan p	12.07	12.67
Pacif p	11.88	12.47
Strat p	13.75	14.44
GW Sierra Pf:		
CalBd p	10.16	10.66
CalInc p	10.09	10.57
CA TF p	10.03	10.52
Grinc p	10.99	11.51
StInTr p	8.61	9.02
StMuIn p	10.33	10.82
Gabelli Funds:		
Asset p	17.70	NL
CapSc	11.48	12.00
Equin p	12.19	12.94
Value p	9.43	9.98
Galaxy Funds:		
EqGth	11.80	NL
EstVal	11.35	NL
MID Bd	10.16	NL
MIBd	10.28	NL
GamaGr	10.29	NL
Gatewin	14.90	NL
Gelco to unavail		
GenInc Inv:		
ElDiv	12.48	NL
EMGI	12.44	NL
FdInc	11.98	NL
IntInTr	11.28	NL
IntlTx	11.28	NL
SmCap	11.28	NL
SBS Lg	11.51	NL
GenSec	13.65	13.74
Gintel Group:		
CoAp p	14.33	NL
Erise p	39.02	NL
Gintel	77.52	NL
Gold f	4.83	4.83
GvPl f	7.01	7.01
Hilnc f	5.41	5.41
Muni f	8.45	8.45
MuBd f	8.44	8.44
Quald f	9.71	9.71
TotRet f	9.92	9.92
MJA Funds:		
Balnc	8.89	NL
StkInc	18.51	NL
StkAc	18.51	NL
MJA/IC Funds:		
AstAll	12.24	13.41
Invt	15.52	16.12
Mrkt	11.66	11.72
MBS Fd p	17.07	NL
Mackenzie Grp:		
Cndn p	11.64	12.35
Canad p	8.43	9.14
Ftnin p	9.88	10.49
Grinc p	8.68	9.21
NATR p	6.53	6.72
NY Mun	9.75	10.24
Mahaffey Funds:		
CAPp p	14.03	15.03
Conv f	9.84	9.84
Cptal f	6.56	6.56
Grwth f	8.88	8.88
Gtobl f	9.82	9.82
Gold f	8.88	8.88
GlbVal f	9.98	9.98
InTxFr f	9.78	9.78
TxFr f	9.84	9.84
Val f	13.54	13.54
Mainstr p	14.65	15.58
MarketMaster:		
Emrg	11.16	11.69
MD Mu	10.92	10.92
Value	11.53	12.07
VA Mu	10.92	10.92
Mathers	15.92	NL
Mauldl p	10.01	NL
Mauld Hi	10.01	NL
Merrill Lynch:		
AdjRa	10.07	10.33
Balan	11.42	12.14
CalMu	11.41	11.89
CapAp	20.82	22.47
CpBdA	11.40	11.89
CpBdB	11.40	11.89
CpBdC	11.40	11.89
Dvrsfd	11.19	11.79
EqIdx A	18.77	19.96
EqIdx B	18.77	19.96
FFTB f	10.91	10.91
GlAlB f	11.57	11.57
GlBdB f	9.59	9.59
GlBdC f	9.59	9.59
GrUSB f	10.09	10.09
GrUSC f	10.08	10.08
HiYld f	10.33	10.33
MHYB f	10.32	10.32
MnInB f	8.02	8.02
MnIB f	9.47	9.47
NRE B f	11.44	11.44
NJMB f	10.44	10.44
NYMB f	11.10	11.10
PacB f	11.02	11.02
PanB f	11.02	11.02
Rtinc f	9.72	9.72
SCITB f	9.66	9.66
SYTGB f	10.12	10.12
SpVIB f	12.04	12.04
SDVB f	11.88	11.88
Merriman Fds:		
AstAll f	11.65	NL
BICh	11.42	NL
CapAp f	11.34	NL
Grwth f	9.98	NL
MetLife Stgate:		
CoAp p	14.74	15.63
Eqinc p	12.10	12.84
GvSc p	6.99	7.32

New International Bond Issues

Compiled by Laurence Desvilettes

Issuer	Amount (millions)	Mat.	Coup. %	Price	Price end week	Terms
Floating Rate Notes						
KKBC Int'l	$ 50	1994	0.46	100	—	Over 6-month Libor. Noncallable. Fees not disclosed. Denominations $10,000. (KEB Int'l.)
Nippon Shinpan Finance	$ 20	1995	0.56	100	—	Over 6-month Libor. Noncallable. Fees 0.05%. Denominations $100,000. (New Japan Securities Europe.)
Cheltenham & Gloucester Building Society	£175	1994	0.15	100	—	Over 3-month Libor. Reoffered at 99.69. Noncallable. Fees 0.41%. (UBS—Phillips & Drew Securities.)
Cheltenham & Gloucester Building Society	ECU 150	1995	0.15	100	—	Over 3-month Libor. Reoffered at 99.80. Noncallable. Fees 0.30%. Denominations 100,000 Ecus. (UBS—Phillips & Drew Securities.)
Fixed-Coupons						
General Electric Capital Corp.	$100	1998	8¾	101.48	101.87	Noncallable. Fungible with outstanding issue, raising total to $450 million. Fees 0.1875%. (Kidder Peabody Int'l.)
Standard Credit Card Master Trust Series 1991-4	$1,250	1996	8	99.48	99.47	Semiannually. Noncallable senior asset-backed notes. Fees 0.275%. (UBS Securities.)
Standard Credit Card Master Trust Series 1991-4	$155	1996	8¼	99.143	—	Semiannually. Noncallable junior asset-backed notes. Fees not disclosed. (UBS Securities.)
Deutsche Finance Netherlands	DM 300	1996	9	101¾	100.65	Noncallable. Fees 1¼%. (Deutsche Bank.)
Guaranteed Export Finance	£400	2001	10⅝	101.448	100.15	Reoffered at 99.773. Noncallable. Fees 2%. (S.G. Warburg Securities.)
KFW Int'l Finance	£ 50	2001	10⅝	101.70	99.85	Reoffered at 100.05. Noncallable. Fungible with outstanding issue, raising total to £200 million. Fees 2%. (J.P. Morgan Securities.)
ABN Amro Holding	DF 750	2001	9¼	101½	101.00	Noncallable. Fees 1%. (ABN Amro Holding.)
Allied Irish Banks	IEP 100	1996	10	100	—	Noncallable. (Goodbody.)
Crédit Local de France	ECU 25	1994	9⅛	99.05	—	Noncallable. Fungible with outstanding issue, raising total to 325 million Ecus. (Bankers Trust Int'l.)
Bayerische Hypotheken und Wechsel Bank	C$ 100	1996	10¼	101.40	99.75	Noncallable. Fees 1⅛%. (Hambros Bank.)
General Electric Capital Corp.	C$ 100	1996	10	101	99.40	Noncallable. Fees 1⅛%. (Hambros Bank.)
Hankyu	¥ 30,000	2000	7⅛	101⅜	—	Reoffered at 99.575%. Noncallable. Fees 2%. Denominations 10 million yen. (Daiwa Europe.)
Mitsubishi Estate	¥ 30,000	2001	7.05	101.73	—	Noncallable. Fees 2%. Denominations 10 million yen. (Yamaichi Int'l.)
Equity-Linked						
Crown Resources	$15	2001	5¾	100	99.50	Semiannually. Callable at par in 1996. Convertible at $9.85 per share. Fees 2½%. (Credit Suisse First Boston.)
Daicel Chemical Industries	$200	1995	4⅝	100	—	Noncallable. Each $5,000 note with one warrant exercisable into company's shares at 588 yen per share and at 137.35 yen per dollar. Fees 2½%. (Nomura Int'l.)
Furukawa	$100	1995	4⅝	100	—	Noncallable. Each $5,000 note with one warrant exercisable into company's shares at 779 yen per share and at 137.60 yen per dollar. Fees 2½%. (Nomura Int'l.)
Japan Storage Battery	$100	1995	4⅝	100	—	Noncallable. Each $5,000 note with one warrant exercisable into company's shares at 789 yen per share and at 137.60 yen per dollar. Fees 2½%. (Nikko Securities Europe.)
Kawasaki Heavy Industries	$360	1995	4⅝	100	—	Noncallable. Each $10,000 note with two warrants exercisable into company's shares at 498 yen per share and at 137.35 yen per dollar. Fees 2½%. (Yamaichi Int'l Europe.)
Kurita Water Industries	$100	1995	4⅝	100	—	Noncallable. Each $10,000 note with two warrants exercisable into company's shares at 2,665 yen per share and at 137.35 yen per dollar. Fees 2½%. (Nikko Securities Europe.)
Sakai Chemical Industry	$100	1995	4⅝	100	—	Noncallable. Each $10,000 note with two warrants exercisable into company's shares at an expected 2½% premium. Fees 2½%. Terms to be set Aug. 20. (Nikko Securities Europe.)
Shimadzu	$150	1995	4⅝	100	—	Noncallable. Each $10,000 note with two warrants exercisable into company's shares at 693 yen per share and at 137.35 yen per dollar. Fees 2½%. (Nikko Securities Europe.)

IBJ Reportedly to Be Probed

Compiled by Our Staff From Dispatches

TOKYO — The Finance Ministry will question executives of the Industrial Bank of Japan over huge loans it made to a client who used false deposit certificates as guarantees, a newspaper said Sunday.

Officials at the ministry, battling to control a slew of banking and stock market scandals, were unavailable for comment. A spokesman for IBJ, a leading long-term credit bank, said he had no knowledge of the government inquiry reported by Asahi Shimbun.

The amount of the fraud has not yet been established, but Kyodo news agency on Sunday quoted sources as saying loans extended by IBJ and group companies with false certificates as part collateral totaled about 300 billion yen ($2.18 billion).

According to Asahi, the Finance Ministry intends to ask IBJ for details of its dealings with the Osaka restaurant owner and stock speculator Nui Onoue, who is alleged to have obtained the fraudulent loans.

The ministry also wants to know how the bank's internal checks failed to detect the false papers, the report added.

Miss Onoue together with a branch manager of the Osaka-based credit union Toyo Shinkin, who was also implicated in the affair, were arrested last week.

Authorities said that they had found the branch manager issued false deposit certificates worth 342 billion yen, and that Miss Onoue had used a portion of these to obtain the IBJ loans.

Since late June, the Japanese financial community has been rocked by a string of scandals.

Two other big banks have been implicated in fraudulent loans, and 17 leading brokerages have admitted improperly compensating favored clients for investment losses to the tune of about $1.25 billion.

The successive revelations have heaped pressure on the Finance Ministry to police the banking and securities industries more effectively.

The ministry is preparing emergency draft legislation to tighten up the Securities Exchange Law, which it plans to submit to the current session of the legislature.

The financial daily Nihon Keizai Shimbun said Sunday that the Finance Ministry had decided to curb the widespread convention by which ministry officials can retire and immediately take up important posts with securities firms.

Nihon Keizai said all former ministry officials involved in securities industry administration during the last five years of their careers would be barred from joining securities firms for two years after retirement.

On Saturday, Kyodo, Asahi and other newspapers said the Finance Ministry bill would also penalize both brokerages paying loss compensation and clients receiving it, making them liable to jail or fines.

The bill would also allow authorities to seize profits from such compensation or impose extra taxes on such earnings, the reports said. *(Reuters, AFP)*

Bonds Rise as Inflation Wanes

Compiled by Our Staff From Dispatches

NEW YORK — The bond market turned in another good performance this week, managing a gain of more than one point on Wednesday, as investors came to the conclusion U.S. inflation is under control.

For the week, the bellwether 30-year Treasury bond rose 1 9/32 points, to 100 13/32. That reduced

U.S. CREDIT MARKETS

its yield to 8.09 percent from 8.23 percent. Among other maturities, 10-year bond yields fell to 7.83 percent from 7.99 percent, and three-year returns dropped to 6.69 percent from 6.91 percent.

William Cheney, director of economic research at John Hancock Mutual Life Insurance Co. in Boston, said no single economic report gave the market its buoyant tone.

Rather, "everything is pretty much weighing on what the Fed will do," he said.

And, to a sizable degree, the bond market seems convinced the Federal Reserve Board would push interest rates low, with the aim of rejuvenating the sputtering U. S. economy.

The Federal Reserve's policy-setting Open Market Committee is to convene Tuesday, and an easing of policy, if the panel moves in this direction, could become apparent soon afterward.

"There's a good chance they ease at the meeting," said Douglas Schindewolf, associate economist at Smith Barney, Harris Upham & Co.

The Fed can use interest rate policy to pump money into the banking system, spurring borrowing and spending to enhance the economy.

The Fed has been steadily cutting rates for the past year to temper a recession that began last July.

The central bank is likely to take its clues from data on the nation's money supply because the amount of money in circulation determines how fast the economy will grow.

The latest report showed M2 — which includes currency in circulation, savings accounts, checking accounts, small time deposits and money market mutual funds — rose $1.2 billion in the week that ended Aug 5.

That puts the money supply's growth at 2.8 percent for the year so far, just skimming the bottom of the Fed's 2.5 to 6.5 percent target. New monthly figures showed M2 in July fell $10.6 billion.

"There still isn't any real growth in the weekly numbers," said Darwin Beck, an economist at The First Boston Corp. "If they don't see some strength in the next two weeks," the Fed policymakers could cut rates again, he said.

At Tuesday's meeting, they will have an estimate of weekly money supply data to be published Aug. 22 and "preliminary guesses for the following week," Mr. Beck said.

If the data suggest continued sluggishness, the policymakers could decide to cut rates as early as that afternoon or in the next few days, he said.

"The odds favor an easing at the meeting," Mr. Beck said.

But Mr. Cheney said he thought the committee would err on the side of fighting inflation instead of priming the economy via lower interest rates. "My personal bet is they won't ease again anytime soon," he said.

Indeed, the Labor Department reported Wednesday that the consumer price index, which measures inflation at the retail level, edged up 0.2 percent in July and that the core rate excluding volatile food and energy costs was up 0.4 percent on the month.

This was enough for the price of the benchmark 30-year Treasury bond to move up 1 2/32 in when-issued trading Wednesday.

After Wednesday's run-up, the market fell prey to some mild profit-taking, so that "what everybody is wondering is whether Thursday was the peak," Mr. Cheney said.

However, reflecting his expectation of inflation running, at most, at an annual rate of 3 percent to 4 percent, Mr. Cheney said, "I think there's room for the long bond's price to rise without the Fed easing." *(UPI, Reuters)*

Euromarts At a Glance

Eurobond Yields

	Aug. 14	Aug. 7
U.S. & 8 yrs & over	8.28	8.41
U.S. 5 to 7 yrs	8.23	8.39
U.S. 5 less than 5 yrs	7.34	7.61
Pounds sterling, less than 5 yrs	11.38	11.33
French francs, less than 5 yrs	9.81	9.79
Ital. Lire, less than 5 yrs	11.92	11.88
Danish krone, less than 5 yrs	10.02	10.08
ECUs, 8 yrs & over	9.17	9.20
ECUs, 5 to 7 yrs	9.29	9.22
Can. $, less than 5 yrs	10.28	10.25
Aus. $, less than 5 yrs	11.57	11.59
N.Z. $, less than 5 yrs	10.48	10.31
Yen, 5 to 7 yrs	7.32	7.32
Yen, less than 5 yrs	7.48	7.43

Source: Luxembourg Stock Exchange.

Weekly Sales

Aug. 15

Primary Market

	Cedel $	Cedel Nonc	Euroclear $	Euroclear Nonc
Straights	52.60	332.40	852.20	445.40
Convert.	13.40	3.60	169.65	—
FRNs	—	8.80	—	101.40
ECP	3,122.10	1,941.90	7,341.10	3,227.20
Total	3,188.10	2,285.90	8,360.90	3,784.20

Secondary Market

	Cedel $	Cedel Nonc	Euroclear $	Euroclear Nonc
Straights	5,910.50	13,342.10	13,759.50	19,020.60
Convert.	207.40	484.20	777.10	398.70
FRNs	2,132.60	757.50	3,726.40	2,085.40
ECP	4,092.60	3,727.10	2,818.10	4,443.20
Total	11,826.10	17,708.90	21,081.30	26,167.90

Source: Euroclear, Cedel.

Libor Rates

Aug. 16

	1-month	3-month	6-month
U.S. $	5⅝	5⅝	5⅝
Deutsche mark	9 3/16	9⅛	9 7/16
Pound sterling	11⅛	11	10 15/16
French franc	9½	9 7/16	9 11/16
ECU	9 13/16	9 15/16	10 1/16
Yen	7 7/16	7 5/16	6⅞

Sources: Lloyds Bank, Reuters.

U.S. Treasury Bonds

Aug. 16

Maturity	Close Bid	Ask	Yield	Wk.-ago Yield
31.07.93	100 2/32	100 4/32	6.28	6.51
15.05.94	100 14/32	100 18/32	6.69	6.91
31.07.96	100 10/32	100 12/32	7.71	7.93
15.07.98	103 4/32	103 8/32	7.66	7.85
15.08.01	100 9/32	100 11/32	7.83	7.99
15.02.06	111 14/32	111 18/32	8.02	8.19
15.08.21	100 12/32	100 14/32	8.09	8.23

Source: Salomon Inc.

U.S. Consumer Rates

Aug. 16

Tax Exempt Bonds Bond Buyer 20-Bond Index	7.03 %
Money Market Funds Donoghue's 7-Day Average	5.48 %
Bank Money Market Accounts Bank Rate Monitor Index	5.05 %
Home Mortgage FHLB average	9.19 %

Source : New York Times Service, UPI.

BUSINESS BRIEFS

Bulgarian Unemployment Nears 7%

SOFIA (Reuters) — The number of unemployed in Bulgaria topped 302,000 by last Thursday and estimates are that by the end of the year half a million people in a work force of 4.5 million will be jobless, official sources said Sunday.

Evelina Zhelcheva, an official of the National Labor Exchange, said large numbers of workers in many companies were on indefinite unpaid leave. This invisible unemployment, she said, was estimated to be as big as the officially registered number of jobless.

Meanwhile, a strike by more than 21,000 Bulgarian miners entered its fifth day on Sunday. They are seeking raises and better conditions. Some 81 of the country's 90 mines are affected by the strike.

Taipei Cuts Tax on Scotch, Cognac

TAIPEI (AFP) — Taiwan will reduce taxes on liquor imported from Europe to avoid being accused of imposing nontariff barriers, which may hinder its bid to rejoin the General Agreement on Tariffs and Trade, officials said Sunday.

A Finance Ministry official said taxes on Scotch and Irish whisky and on cognac and Armagnac would be cut by an average of 20 percent.

Korea Investigates Stock Fraud

SEOUL (Reuters) — South Korea's securities authorities are investigating a possible stock manipulation said to have netted a profit of 63 million won ($85,850), Yonhap news agency said Sunday.

The individual, who was named by Yonhap, is said to have bought 1.65 million shares in Hanbo Steel Co. through 11 different accounts with securities firms when the share price plunged after the company was implicated in a bribery scandal. He is accused of then placing buy orders at the daily limit-up price to artificially drive up the price.

Seoul's Currency Reserves Decline

SEOUL (AFP) — South Korea's foreign-exchange reserves have fallen sharply while foreign debts have mounted rapidly because of the deterioration in the current account this year, the Bank of Korea said.

The central bank said Saturday that foreign-exchange holdings totaled $13.42 billion at the end of June, down by $1.4 billion since the end of last year, while foreign debt rose from $31.7 billion to $36.22 billion.

Portugal Awards Phone Franchise

LISBON (Reuters) — Portugal has announced its award of a franchise for a private cellular telephone network to a consortium led by Portugal's powerful Amorim and Espirito Santo groups and Pacific Telesis Group of the United States.

The consortium, Telecel-Comunicacões Pessoais SA, beat out six competing groups. The award was announced Saturday.

DOLLAR: *Intervention Expected*

(Continued from first finance page)

the emerging credit crunch in Japan. Japanese banks are allowed to include in their capital 45 percent of the gains showing on their books on the stocks they hold.

Regardless of what happens in the Tokyo stock market, however, a decline in the dollar would mitigate capital constraints for the Japanese banks. As the value of their dollar-denominated assets dropped, so would the amount of yen required to be set aside against these holdings to meet the international capital adequacy rules.

Meanwhile, with prices down — the Nikkei average ended last week at 22,814.37 — and investor confidence sapped by the unfolding financial scandals at home, Japanese investors are pulling money out of the market. Mutual funds and other investment vehicles thus are facing increased withdrawals.

To finance these withdrawals at a time when domestic stock prices weak, Japanese institutions may be forced to raise money by liquidating assets held in foreign markets, Mr. Koo warned.

Jonathan Wilmot at Credit Suisse First Boston in London concurred, saying that "no want wants to see massive Japanese sales of U.S. Treasury bonds."

To head off the dollar before it gets too strong and as an additional assurance to guarantee the economy pulls out of recession, Mr. Wilmot said "another quarter-point easing by the Federal Reserve would be very appropriate."

Such a move would also be beneficial to Europe, he added, by reducing the likelihood that the Bundesbank will be forced to again raise its Lombard rate.

Mr. Wilmot said he believed the Bundesbank scored well with its quarter-point increase. The Group of Seven intervention last month was intended to thwart Germany's need to raise rates. The small adjustment, Mr. Wilmot said, showed that the Bundesbank "stayed within the spirit."

At the same time, Mr. Wilmot said the threat that the Bundesbank might yet add a quarter or a half point to the Lombard rate should deter currency speculators from massively shorting the mark — borrowing the currency in order to buy dollars.

But Mr. Drobny at Bankers Trust painted a different outlook. He said he saw the dollar "under fundamental upward pressure" that central banks will be unable to stop due to the emerging economic revival. "The Fed," he stressed, "is pro-growth" so even if it cuts interest rates, it only makes stronger the prospect of a vibrant recovery.

WALL STREET REVIEW

Figures as of close of trading Friday, Aug.16.

NYSE Most Actives

Vol.	High	Low	Last	Chng.	
SecPac	297422	36½	37	34½	+11½
BnkAm	217044	44½	37¾	41⅜	+4⅜
Salomn	182236	33¾	26¼	27⅞	—6⅜
FourthU	154201	28½	23¾	26¼	+2⅛
WangB	136591	3½	2⅝	2⅞	— ⅛
EchoBy	127765	8⅝	8⅜	8⅜	— ⅛
DowCh	125317	8¼	7⅝	8⅛	+ ⅜
FstSFL s	124468	41⅜	27¼	28⅜	+ ⅛
CornCr	91864	22⅛	21⅛	21¼	— ⅛
GiantFd	86963	25⅛	23⅝	24⅝	+ ⅛
BAT In	85780	13⅜	12¾	12⅞	
Pruitt	85528	17⅜	16½	17	— ⅛
AmdHl	77708	14½	13⅝	13⅝	— ⅛
FAusPr	63011	10⅝	10⅜	10½	+ ⅛
PenaIC	54678	3⅜	3⅛	3⅛	+ ⅛
EKodak	52925	43¾	40¼	43	+2⅝
ShawNf	52264	10⅝	8	10¼	+2⅜
Citicorp	51111	15¼	13⅞	14⅞	+1⅛
FlmHs	50739	36⅜	31⅜	35⅜	+3⅝
AmExp	49773	27¼	25⅝	26½	+⅝
GenEl	45410	74½	71⅝	72	—1⅝
Chase	41671	21⅛	19⅝	21	+1⅜
Exxon	40269	58¼	57	57½	
FNMor n	37954	29¼	27⅝	28	+ ⅜
Ginkg	35047	46	43	44½	+1½

AMEX Most Actives

Vol.	High	Low	Last	Chng.	
AMed	31114	10½	9⅝	9⅝	— ⅛
PidHltn	19197	15⅞	12⅝	14⅜	—1¼
MetMB	18866	20¾	18¼	19⅝	+ ⅛
FountHl	15429	25	23½	24¼	+ ⅛
WangB	13659	3¼	2⅝	2⅞	— ⅛
EchoBy	12765	8⅝	8⅜	8⅜	— ⅛
DowCh	12517	8¼	7⅝	8⅛	+ ⅜
FstSFL s	12468	41⅜	27¼	28⅜	+ ⅛
CornCr	9186	22⅛	21⅛	21¼	— ⅛
GiantFd	8693	25⅛	23⅝	24⅝	+ ⅛
BAT In	8578	13⅜	12¾	12⅞	
Pruitt	8528	17⅜	16½	17	— ⅛
AmdHl	7708	14½	13⅝	13⅝	— ⅛
FAusPr	6301	10⅝	10⅜	10½	+ ⅛
PenaIC	5618	3¾	3⅛	3⅛	+ ⅛
EKodak	5292	43¾	40¼	43	+2⅝
ShawNf	5266	9⅛	8	10¼	+2⅜
Citicorp	5150	15¼	13⅞	14⅞	+1⅛
Chrysler	5124	29⅜	27	27⅝	—1⅜
SierHS	5079	18¾	16½	16½	—2⅜
NAVac	4882	14⅞	13¾	14½	— ⅛
A-pf72 sc	4740	10½	9½	10	— ⅛
PallCp s	4558	38¾	35⅝	38½	+2
Atico	4545	65	62	64¾	+1
EkaNk wt	4540	9	8¼	8¾	+ ⅛

NYSE Sales

	Sales Vol.
Total for week	918,470,000
Week ago	782,840,000
Year ago	739,760,000
Two years ago	744,210,000
Jan 1 to date	28,183,380,000
1990 to date	25,465,570,000
1989 to date	25,453,130,000

AMEX Sales

	Sales Vol.
Total for week	57,853,000
Week ago	53,780,000
Year ago	69,140,000
Jan 1 to date	1,978,882,000
1990 to date	2,229,800,000
Total for week	17,290,000
Year ago	12,360,000

NYSE Diaries

	This Wk	Last Wk
Advanced	997	1116
Declined	941	802
Unchanged	336	299
Total Issues	2284	2277
New Highs	325	309
New Lows	47	32

AMEX Diaries

	This Wk	Last Wk
Advanced	380	382
Declined	613	592
Unchanged	164	169
Total Issues	979	972
New Highs	70	72
New Lows	41	33

FIRM: *Violations Generate Calls for Greater Regulation of U.S. Government Bond Market*

(Continued from Page 1)

Treasury securities for themselves or their customers submit bids, specifying how much they want, and at what prices or yields. Once the Federal Reserve Bank of New York collects the bids from the firms, it takes the ones that are most advantageous.

With the prestige and the direct bidding rights comes the obligation to make markets in all Treasury securities and to participate in all auctions.

How much a firm bids for in any auction depends in part on how much its clients want, whether it thinks rates are headed up or down, and whether it thinks it can make a profit by bidding a certain amount and reselling the bonds.

Even before the auctions, there is a good deal of action in the when-issued segment of the market. Such trading in securities that have not yet been issued is considered necessary to allow investors and dealers who buy the multibillion-dollar bond issues to estimate demand for the bonds and avoid big losses. But the market is also subject to abuse.

Although there are no public statistics on this market, it is clear that billions are traded during the intense activity that accompanies Treasury auctions.

The when-issued trading begins as soon as the Treasury announces how large a bond sale will be.

Institutions wanting to own the bonds are able to buy them immediately, on terms that provide they will not actually be delivered until they are issued. The bonds will be sold, on a when-issued basis, by dealers who expect to buy them at the auctions, or by speculators betting that interest rates will rise, and bond prices decline, by the time the actual auction is held.

When the auction is held, Treasury rules bar any bidder from buying more than 35 percent of the issue, including whatever bonds have been previously purchased in the when-issued market. The 35 percent rule is one of the rules that Salomon has admitted breaking. It has also said it bought bonds for itself using customer names, without their authorization.

The reason for the 35 percent rule is to prevent a "squeeze" from developing. In such a case, those who had sold bonds in the when-issued market would be forced to buy them from the few dealers who had possession of the actual bonds, and thereby be forced to pay higher prices than overall market levels would indicate.

The Treasury Department believes such a squeeze occurred last May, in an auction of two-year notes. Salomon has admitted purchasing at least 44 percent of the issue. The Treasury says that as a result of the squeeze, some dealers lost money.

If dealers doubt that they can deliver securities they sold prior to the auction, "they will be less likely to participate in pre-auction distribution of new issues," Assistant Secretary Mary C. Sophos said.

The Harsh World of Bond Trading Finally Caught Up With Gutfreund

By Sarah Bartlett
New York Times Service

NEW YORK — When John H. Gutfreund, chairman of Salomon Brothers, was once asked about the U.S. government bond market, he responded, "It's a harsh world where mistakes are not charitably dealt with."

Friday afternoon, he proved himself right.

At a meeting of the firm's top executives, the tough-willed, 61-year-old chairman announced that he was prepared to resign, as was the firm's president, Thomas W. Strauss.

In doing so, the two executives accepted responsibility for trading violations in Treasury securities that the firm said it knew about four months ago but acknowledged only in the last week.

For Mr. Gutfreund, who has led Salomon Brothers for 13 years and was once dubbed "King of Wall Street" by Business Week, the resignation marked a shocking and abrupt end to an impressive, 38-year career at Salomon.

"There's no doubt that it's his stamp that's on the firm, or that he has guided it to the eminence it has gotten in the last decade," said Samuel Hayes, a Harvard Business School professor who specializes in Wall Street.

Mr. Strauss, 49, has worked side by side with Mr. Gutfreund for many years but has maintained a lower profile. More soft-spoken and relaxed than his boss, Mr. Strauss has long been assumed to be Mr. Gutfreund's heir apparent. Like his mentor, Mr. Strauss is an alumnus of Oberlin College.

Under his tutelage, Salomon grew from a mid-size government bond trading firm to a global powerhouse with tentacles extending into corporate bonds, investment banking and options.

A trader by profession and by nature, Mr. Gutfreund seemed happiest when he was hovering around the firm's vast trading floor, often with a cigar, barking orders to subordinates.

A tight-lipped man partial to dark three-piece suits, Mr. Gutfreund earned fear and respect for his instincts as a trader and his fierce demeanor.

A native of Scarsdale, New York, Mr. Gutfreund (pronounced GOOD-friend) got a bachelor's degree in literature and English from Oberlin and briefly considered a career as a schoolteacher. But his father, a wholesale meat and trucking company owner, was a golf partner of Billy Salomon, whose father was one of the Wall Street firm's founders.

As a result of that connection, in 1953, after Mr. Gutfreund returned from two years' service in Korea, he joined the firm as a trainee. Twelve years later, at age 34, he was made a partner, a promotion marking the beginning of his steady ascent.

In recent years, Mr. Gutfreund's hold on his job has frequently been tenuous. But each time that he encountered a crisis, the feisty chairman always came back fighting, only to emerge victorious.

When Philipp Brothers, the big commodities firm, acquired the much smaller Salomon in 1981, many Wall Street executives bet that Mr. Gutfreund would not last.

Mr. Gutfreund not only survived; he succeeded in staging a quiet coup. Within three years, it was the chairman of Philipp Brothers, David Tendler, who was out, and Mr. Gutfreund was left running the whole show.

As a result of the merger, which turned the private partnership into a part of a larger public company, Mr. Gutfreund found himself with access to a much larger capital base. That proved to be a great advantage as more and more firms began to use their own financial resources to trade and invest in deals.

Mr. Gutfreund faced another sort of challenge in 1987, when the firm became the subject of a hostile takeover bid from the corporate raider Ronald O. Perelman. Mr. Gutfreund successfully dodged that bullet by arranging to sell 12 percent of the firm in the form of preferred stock to Warren E. Buffett, the Omaha investor and chairman of Berkshire Hathaway Inc.

After a string of losses in the late 1980s, however, shareholder criticism of Mr. Gutfreund's management skills mounted.

He became the subject of several unflattering magazine profiles, in which he was depicted as a starry-eyed arriviste on the Manhattan social circuit, a development that was often blamed on the aspirations of his glamorous second wife, Susan, a former airline stewardess.

Mr. Gutfreund's image was not helped by the publication of "Liar's Poker," a book by a former Salomon trader, Michael Lewis, that depicted the firm as a place where wild behavior and practical jokes most commonly associated with fraternity houses were not only tolerated but encouraged.

Speculation intensified in 1989 that Mr. Gutfreund would have to depart in order for the firm to resume its upward path. But once again he disproved his naysayers. Numerous other top executives left, some involuntarily. But Mr. Gutfreund remained, overseeing the imposition of a new management structure, new financial controls and, ultimately, renewed profitability and growth.

In the last year and a half, the firm has reported strong but somewhat unpredictable earnings.

Mr. Gutfreund's willingness to accept responsibility for actions on his watch is in keeping with his previous approach to the business.

In 1987, when the firm took a large trading loss and laid off 800 people in a restructuring, he declined to accept a bonus, worth about $2 million.

SCANDAL: *5 Leave Salomon*

(Continued from Page 1)

shown a letter from the Treasury to a Salomon client with a copy to Mr. Mozer. Mr. Mozer knew the letter "would lead to trouble relating to the April bond auction," Mr. Buffett said.

Mr. Gutfreund learned about it within a day, Mr. Buffett said, "but it is inexplicable to me that this did not get reported."

He continued: "Mr. Meriwether said it was not his job to report this. I've seen similar dumb things happen in companies I've been involved in, and I cannot explain the subsequent failure to report."

Salomon began an investigation on July 6 by bringing in Wachtel Lipton Rosen & Katz, a New York law firm.

Mr. Buffett, 60, is one of the wealthiest people in the world, with a net worth of $4.4 billion. He operates his company on the long-term principles of value. He invests from his home in Omaha, Nebraska, and he is the antithesis of the swaggering Salomon trader. He protected Salomon from the corporate raider Ronald O. Perlman and saved Mr. Gutfreund's job in 1987 by investing $700 million in Salomon preferred stock.

Mr. Buffett made it clear that the most difficult thing about his task would be to change Salomon's wheeling and dealing corporate culture, which also has been the source of its big profits. The trading culture was satirized in a best-seller entitled "Liar's Poker," written by a former junior Salomon bond salesman.

The new chairman warned that traders who did not abide by the new controls would be let go.

The controls include the restriction of advance trading in Treasury securities before auctions to the government securities desk, as well as more stringent record keeping and daily reports than in the past, and confirmation in writing of all customer orders.

Mr. Buffett said the firm had to "earn back its integrity, 98 percent by behavior and only 2 percent by words." One way of doing so was clearing to bring in Mr. Maughan as president from the investment-banking side of the firm.

Mr. Maughan told reporters, "I am not an American, not a trader, and I am as astonished as you."

Mr. Buffett's task was made a little easier by the Treasury's change of heart on the suspension of Salomon from the regular auctions of bills, notes and bonds. These sales are not only are essential for financing the U.S. government's annual deficit, now running at almost $300 billion, but also for the the smooth operation of the nation's money markets.

Salomon can also continue to trade in the huge private, or secondary, market for the resale of Treasury securities.

More crucial to the firm's future are the millions of dollars at stake in civil suits filed by competitors who claimed they lost money in Salomon's squeeze on the market. Any civil or criminal indictments that could further damage the firm's reputation and credibility.

The threat of such events sent the firm's stock down by $7 last week, to $27.875 a share. On Friday, the fears also knocked $110 off the value of a share of Berkshire Hathaway, which closed at $8,825.

INTERNATIONAL CLASSIFIED

(Continued From Back Page)

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ORIENT

NASDAQ NATIONAL MARKET

OTC Consolidated trading for week ended Friday, Aug.16.

	Sales in 100s	High	Low	Close	Net Chg
A					
A&W Bd .40	1.2	526	34½	33¾	34
ABS .32	4.3	200	8	7¼	7½ — ¼
ACC Co .16	1.6	807	10½	10	10 — ⅛
ADC		7434	28¼	26¾	26¾ — 1¼
ADT	1	40567	9½	8¾	9⅜ +1⅛
AEL			6¾	5⅝	6¼ + ⅛
AIB		280	11¾	11¼	11¾ + ⅛
AES Co		1041	24⅜	23⅜	24¼ + ⅛
ASK		4513	9⅜	9⅛	9⅛ + ⅛
AST s		51889	30	27¾	28 — ⅛
AamRt .10	1.0	67	10¾	10½	10½ — ⅛
AbingB		100	3⅜	3¼	3¼ + ⅛
Accel .24	3.4	1152	7½	6⅞	7 — ⅛
Aciaim		4116	3⅛	2⅝	2⅝ — ⅛
Acsio .28	2.4	69	12½	11¾	11¾ — ⅛
ACMT		111	11	11	11 — ⅛
Acmt g		4	6¾	6¾	6¾ — ⅛
AcmeSf		98	14½	13½	14¼ + ⅛
ActARt		1081	1⅛	⅞	1 + ⅛
Actrm		364	14⅜	13⅜	13⅜ — ⅛
AdacLb		3535	1⅞	1	1⅛ — ⅛
Adage s		1813	9½	8	9 — ⅛
Adapt		6378	12½	11⅜	12½ + ⅛
Adtrgt s		994	8½	7½	7⅝ — ⅛
AdtecSv .16	.7	298	22⅝	22	22 — ⅛
AdobeS .32	1.6	37399	60½	57¾	59½ — 1⅛
Adtec		275	2¼	2⅛	2¼ + ⅛
AdvRes		47	9⅝	9⅛	9⅛ — ⅛
AdvCir s		1317	8½	7⅞	8⅛ — ⅛
AdvLog		2113	14¼	13½	13¾ — ⅛
AdvMed		245	24	21	23 + 1⅛
AdMkSv		467	2¼	2	2⅛ — ⅛
AdvPoly		1617	6⅝	6	6⅛ — ⅛
AdvPro		2666	7½	6⅝	7 — ⅛
AdvSem		204	4	3⅝	3⅝ — ⅛
AdvTel		4783	17½	16¾	17½ — ⅛
Advanta .20	.8	4348	27½	25	25½ + ⅛
AdvaSy		5209	21	19¾	21 + 1½
AegisG .26e	3.9	7	6¾	6¾	6¾ — ⅛
Aegon 1.60e	2.7	1356	60⅜	60¼	60½ — ⅛
AeroSm		2166	2½	2⅜	2⅜ — ⅛
AerSys		46			6¾ — ⅛
Aerovx		4482	6¾	6¾	6¾ — ⅛
AffBcCp		1197	⅜	⅜	⅜ + ⅛
AffBsh .32	1.5	2385	22	21	21½
AgSvcs		1002	8½	8¼	8¼ — ⅛
AgncyR		11786	10¾	9⅝	10 + ⅛
Agnico s .28	4.3	765	6	5⅝	5⅞ — ⅛
Agourn		319	14¾	13¾	13¾ — 1
Ahold		1184	41⅜	40¾	41⅜ + ⅛
Alcasp		4254	5⅜	5	5⅛ — ⅛
AirWisc		2672	8¾	7⅞	8 — ⅛
Airtran .20	1.9	467	11	10½	10½ — ⅛
Akorn .07	1.7	2404	7¼	1⅝	1⅝ — ⅛
Alcan 1.37e	4.5	4853	31	29¾	30⅛ — 1⅛
Alsten 1.10	7.0	160	16¼	15¾	15¾ — ⅛
Aldus		14940	41⅛	36¼	39⅞ +2⅜
AlexBr .28	1.6	4177	18½	16¾	17⅝ — ⅛
AlexBld .44	3.3	5281	28	26¾	27 — ⅛
AlfaCp .24	3.6	265	12¾	12	12¼ + ⅛
AlkasR		4081	22¾	17	21 — ⅛
Allco .15	.7	1102	22½	21	22 — ⅛
Alkerm		1552	9¾	9¼	9⅜ + ⅛
AllAms		30	1	1	1 — ⅛
AllCity		16	6	6	6 — ⅛
AlegW		10	4⅜	4⅜	4⅜ — ⅛
AlnOrg .40a	1.3	47	30¾	30	30¾ + ⅛
AllanPh		3233	15½	14½	15¾ — ⅛
Allant h		1496	⅞	⅞	⅞ — ⅛
Allbnk .32	4.1	177	8¼	7¾	7¾ — ⅛
AldCap 1.29e	8.5	657	15¾	14¾	15¾ + ⅛
AldCsl 1.00e	6.4	1093	16	15¾	15¾ — ⅛
AldCl		686	24½	23¾	24½ + ⅛
AldSig .56	3.0	127	18¾	18	18¾ + ⅛
AldRsh		1093	17¾	14¼	14¼ — 2½
AlistFn		2526	14½	11¾	14½ + ⅛
Allwst		6676	5⅝	4⅝	5⅛
AlonHs .32	2.6	701	12⅜	12⅜	12⅜ — ⅛
AlpMic		77	2¼	2⅛	2¼ — ⅛
Alphar1		6308	2¼	1⅝	2⅛ + ⅛
AlpLce		1160	7½	6⅝	7
AltaGld		4184	3⅜	3¼	3⅜ — ⅛
AltaHil		296	13¾	12½	13 — ⅛
Altai		83	2½	2¼	2⅜ + ⅛
Altera		3129	21⅜	20¾	20¾ — ⅛
Altron		124	4¾	4¾	4¾ + ⅛
Alvarez		1284	2⅜	2⅛	2⅛ — ⅛
AmcorF .56	3.3	331	16¾	16½	16¾ + ⅛
Amrkan .56	4.7	272	12	11½	12 + ⅛
Amertec		43	2	1⅞	2 + ⅛
AFFM12 1.98e	29.9	7	7¼	6¾	6¾ — ⅛
AFFF 1.50	7.1	814	21½	20¾	21 — ⅛
AmFPr 1.30	10.6	397	12¾	11½	12¼ + ⅛
AFTxE 1.00	12.9	324	8¾	7¾	7¾ — ⅛
AFTxE2 1.28	19.7	353	9	8½	8½ — ⅛
VJAWA12		3512	2¾	2¾	2¾ — ⅛
AmBcp 1.00e	5.7	50	17½	17½	17½ + ⅛
ABnkr .68	3.8	2738	16½	15¾	15¾ — ⅛
AmBiod		821	10¼	9¾	10 — ⅛
AmCity		13	18¾	17½	17½ — ⅛
AClem		222	11¾	10½	11¼ — ⅛
ACoield .44	5.0	30	9½	8¾	8¾ — ⅛
ACorsu		2501	3¾	2⅞	3¼
AmDrill		5772	14	11	11¾ — 2
AmEcpl		1510	20	17¾	17¾ + 1⅜
AFSvDu		77	5¾	5¾	5¾ — ⅛
AFilm		3098	3¼	2¾	2¾ — ⅛
AFilm	.94	4.3	182	21¾	21¾ + ⅛
AGreet .76	2.3	9195	34½	33¼	33¾ — ⅛
AHltSv		4465	1⅝	1½	1⅝
AHlthcp		10520	11½	10¼	10¾ — ⅛
AlndF .08	1.1	22	7¼	7	7¼ + ⅛
AmInfo		1732	5⅜	5	5⅛ + ⅛
AMS		1102	21	18½	19 — ⅛
AMedES		3179	13¾	12	12 — ⅛
AmInts 1.72	5.1	707	34¼	33¾	33¾ — ⅛
AMusic		944	2⅜	2⅛	2⅛ + ⅛
AmNurs		333	3⅜	3	3⅛ — ⅛
AmPos		272	11¼	10½	10½ + ⅛
APhyG		130	1¾	1½	1¾ + ⅛
APwCv s		7524	31½	26¼	30½ +3¼
ARepBc		69	5¾	4¾	5¾
AmRice		195	⅝	⅜	⅝ — ⅛
ASoft .24	1.9	6159	12½	10½	12½ + 1⅛
AmSil		615	14¾	13¾	14¼ — ⅛
AtvCm		3088	45½	42½	44⅞ + 1⅜
ATran s		2288	14	13	13⅜ — ⅛
AWead		73	4¼	3¾	3¾ — ⅛
AmAll .21e	5.8	586	4¾	4½	4⅝ + ⅛
Ameritr .64	2.3	24037	28¾	26	28 + 1⅜
Amsen		17775	151¼	144	146 — 5
AmsyBc		5	2	2	2 — ⅛
Amoske		78	12	10¾	11 — ⅛
Amplcn		4	14¾	14¾	14¾ — ⅛
Amserv		216	3⅜	3	3¼ — ⅛
AmtcCo		5132	18½	14½	14¾ — 3⅜
Amtopic		180	11¾	11	11⅝ — ⅛
AmalyTc .19	2.0	162	10¼	9½	9½ — ⅛
Analy .56	4.1	1289	14¼	13	13½ — ⅛
Anangel .90e	5.8	381	16¾	15¾	15¾ — ⅛
Anaren		33	3¾	3½	3¾ + ⅛
AnchBc		2559	3¾	3¾	3¾ — ⅛
AndvBc		519	3½	3	3¼ — ⅛
AndvTg		111	3⅜	3	3⅜ — ⅛
Andrew		2245	34¼	32¼	33¾ + ⅛
Andros		1265	8	6¾	7½ — ⅛
Aperius		2213	1½	1⅜	1⅜ — ⅛
AnopEn .26	2.0	1014	14	13	13 — ⅛
Apogee		3811	⅝	⅜	⅜ + ⅛
Apogen .48	.9	8339	55	50½	53¾ +2½
Apiebee .04e	.4	425	9¾	9¾	9¾
AsdExtr		1550	11½	9⅝	10⅝ + ⅛
ASBasc s		1680	36	33	34⅝ +1⅜
AstraBio		2233	17⅜	11½	12⅜ + ⅜
AstImu		1431	14½	13	14½ + 1⅛
AstraMd		23952	30¼	26½	28⅝ —1⅛
AstraPw .12	.7	344	17½	16¾	16¾ — ⅛
Astrom		84	5½	4½	4¾ — ⅛
AtlasSh		199	13¾	12½	13⅝ — ⅛
Atlbrn s .14	.7	2695	20½	19¾	19½ — ⅛
Atchive		3917	4¾	3⅜	3⅜ — ⅛
Arctco		856	9⅜	9⅛	9⅛ — ⅛
Arden		5045		38	43 — ⅛
ArgoGo s .68	2.6	326	27	26	26 — ⅛
Arrich		647	3⅜	2⅞	3⅜ + ⅛
ARIX		2155	3		3 — ⅛
ArtsFt		584	33½	31	32 — ⅛
Armor .48	3.8	310	13	11½	12½ — ⅛
Arnold s		7151	29½	27	28 — ⅛
ArrowFn .28i		40	6¾	5¾	5¾ — ⅛
Artel		485	2	1⅞	2 — ⅛
AtristG s		10388	14¼	12	13 + ⅛
ArtWav .40	3.5	34	11½	11	11½
Ashton		1403	16⅜	15¾	16⅛ + ⅛
Aslamr		2840	4⅜	4	4⅛ — ⅛
AspctTl		1218	7¾	7¼	7⅜ + ⅛
AspenBk		1061	9⅝	8	8⅜ — ⅛
Assetm		79	1⅞	1¾	1⅞ — ⅛
Assix		344	3	2¾	2¾ — ⅛
AsdBnc .80	2.7	224	29½	29	29½ + ⅛
AsdCmA s		789	16¼	15¾	15¾ — ⅛
AsdCmB s		1265	15¾	15¼	15¼ — ⅛
Astec		134	4	3¾	3¾ + ⅛
AstrM s .03e	.2	475	14¾	14	14½ + ⅛
Astron		192	3½	2¾	2¾ + ⅛
Astrov		160	3¾	3½	3½ — ⅛
Atek		207	3¼	2¾	3¼ + ⅛
Athey		23	6¾	6¾	6¾ — ⅛
Athlcn		585	7	6	7 + ⅛
Atlntd .40b	4.4	9			9 — ⅛
AtlAm		159	1¾	1½	1½ — ⅛
AtlSeAr .60	1.8	3781	33¾	31¼	33½ — ⅛
Atmel		4727	14¾	13¾	13¾ — ⅛
AtwdOc		3518		9½	9¾ — ⅛
AuBon		1024	13	10¾	11 — ⅛
AuraSy		13518	8	6¾	7⅜ + ⅛
AutoFn		25	7⅜	7	7⅜ + ⅛
Autolnf		348	5¾	5¼	5¼ + ⅛
Autociv .24	3.1	331	7¾	7½	7¾ + ⅛
Autodie .48	.9	11923	57¼	50¼	57¼ + 1
Autodie		102	2½	2	2⅜ — ⅛
AutSec .22e	3.6	4169	6¼	6	6⅛ — ⅛
AutoCa		64	12¾	11¾	11¾ — ⅛
Avantek		1295	6¾	5¾	6⅛ — ⅛
Avatar		98	21¾	21¼	21¼ — ⅛
Avnda		456	3⅜	2¾	2¾ — ⅛
Avtex		5783	6⅜	5¾	6 — ⅛
AvtcM .10b	2.4	145	4¼	3⅞	4⅛ + ⅛
B					
BH Bulk		251	2⅜	2⅜	2⅜ — ⅛
BB&T s .84	3.6	8407	24½	23¾	23¾ +1⅛
BEI El .88	.8	481	10½	9¾	10 — ⅛
BF Ent		644	4¾	4½	4¾ — ⅛
BFS NY		130	4⅜	4	4⅛ — ⅛
BGS .60a	1.8	238	35½	32½	33½ — 2
BHA		12208	15	13¾	14¾ — ⅛
BHA B		596	13½	11½	11½ — 2
BI Inc		2114	7	6⅜	6½ — ⅛
BKLA		33	4	4	4 — ⅛
BMC Sft		12885	50	44½	49 +2
BMJ .40	5.2	454	8	7¾	7¾ — ⅛
BMR Fn		30	4	3⅝	3⅝ — ⅛
BNH		73	2½	2¼	2¼ — ⅛
BSB Bcp .72	4.7	729	15½	14½	15¼ — ⅛
BT Fin .88	5.6	133	15¾	14¾	15¾ + ⅛
BT Sns .50p	6.0	119	8¾	8⅜	8⅜ — ⅛
BTR .98	2.9	151	34	33¾	33¾ + ⅛
BTU Int		718	5	4¾	4¾ — ⅛
BWIP .04e	.2	1675	19	18½	18½ — ⅛
Babcge		1759	14½	11⅜	13½ +1¾
BadgerP .68a	2.8	1211	26¾	24¼	24¼ — ⅛
Bailey		17	1½	1½	1½ + ⅛
BkHg wt		4245	4⅜	4¼	4⅜ — ⅛
BakerJ .96	.4	9020	14	13⅝	13⅝ +1
Baldwin s .36	1.3	78	7½	7	7⅛ — ⅛
BldLog s		1732	3¾	2¾	2¾ + ⅛
BaldPla		55	12	11	11 — ⅛
Ballard s		2545	31½	28½	31½ +2⅜
Baltek .07i		13	5¾	5¾	5¾
BamPn s .80	4.4	1849	18¾	17⅝	18 — ⅛
BcOne prCL50	5.8	1452	61¾	59¾	60 + ⅛
BcMiss .92	3.7	50	26¼	25	25
BcNJ .68	4.9	9	9¾	9	9¾ + ⅛
Bancfac		1055	13	12¼	12½ — ⅛
BancMS .88	9.8	50	9¾	9¾	9¾ + ⅛
BangH 1.28	8.8	1530	16½	15¾	16
BkSou .39i		10435	7¼	6¾	6¾ + ⅛
BkGrsn .44	2.2	79	21½	20¾	20¾ — 1⅛
BnkNH .05i		83	5¾	5	5 — ⅛
BankAtl		11	19	19	19
BkWarc		1348	8¾	7¾	8 + ⅛
Bankrs .52	2.9	1013	18	17¼	17¾ — ⅛
BnkFst		117	6	5⅝	5⅝ — ⅛
vIBkNte		159	⅞	⅞	⅞ — ⅛
BkmH		146	9¼	8¾	9¼ + ⅛
BkMAm		345	11¾	9¼	11¾ + 1⅜
Banta .60	2.1	455	28¾	28	28½
BanyMl		538			9 — ⅛
BanyM2		167			9 — ⅛
BanyM3		180			9 — ⅛
BanySL2		1391	1⅜	1⅛	1⅛ — ⅛
BanySL .51e	15.1	1416	3¾	3½	3¾ + ⅛
BarelRs		257	3¾	3¼	3⅜ + ⅛
BarryJw		1819	2¾	2½	2½ — ⅛
BstTnA		938	3½	2¾	3⅛ — ⅛
BasAm		748	10¾	9½	9¾ — ⅛
BselF 1.00a	3.6	423	30½	28¾	29½ — ⅛
BayVw .60	2.8	5201	22¼	19¾	21½ +2⅜
BayBks		1285	18¾	16½	18 + 1⅝
Bavert		224	3¾	3¾	3¾ — ⅛
BEAvion		1107	13½	12¾	12¾
BeauCit s		1096	21½	19½	21¼ + 1⅝
Bebbo .07e	.7	2000	10¼	9¾	9¾ + 2⅜
BelFuse		795	4¾	3¾	4 + ⅛
Belmrt		770			6¾ — ⅛
BenJer		1192	27½	25¾	27 + 1½
Benihan		1292	1¾	1⅝	1⅝ — ⅛
Berkley s .32	1.2	1223	28½	27	27¾ + ⅛
BerkGs 1.08	7.9	84	14½	13½	13¾ — ⅛
Berlucci		1947	20¾	19½	20⅜ + ⅛
BetzLb 1.24	2.1	4600	60		57¾
Bio B .12e	1.0	577	12¾	11⅝	11⅝ — ⅛
BioOTr		767			3 — ⅛
Biodiv .06e	.4	1341	14½	14¾	14½ + ⅛
BioLog s		5783	6¾	6	6¼ + ⅛
Biogen		13501	33¾	31	31¾ + ⅛
Biogn wt		199	18¾	16	18 +2⅜
Biomatr		4110	10¾	10	10¾ — ⅜
BirndDy		592	6⅛	5⅝	6
Biomet s		10884	36	32¾	33¾ —2⅛
Biomist		9135	9¾	9	9⅜ — ⅛
Biosph		506	7½	6½	6½ — ⅛
BioTim		336	2½	1⅝	2⅛ — ⅛
BioTcG		6141	5⅜	5	5⅜ + ⅛
BirdCo .30e	2.2	3357	14	13¾	13⅞ + ⅛
BirdNst		384	4½	3⅞	4⅛
Birtchr		5289	16½	15	16⅛ +1
BlackT .15e	3.8	711	4½	11	11½
BlsLau		3½			3½
BlueDv		3482	4⅜	3⅝	4⅛ — ⅛
BlckD .80b	1.5	97	54½	52	53 + ⅛
BoatBn 2.16	4.8	7079	45⅜	43⅝	45 +2⅛
BobEvn .28	1.5	5181	19¾	18	18¾ — ⅛
Bohemia		11725	22	21¼	22¼ +1⅛
BoiseP		520	3¾	2⅝	3¾ + ⅛
Boole&B		467	10½	10	10 — ⅛
BoomEl		33	3½	3½	3½ — ⅛
Borad .35e	6.8	50	5¾	5⅜	5⅜ — ⅛
Borind		9438	51	48½	49¼ — ⅛
BostAc .40	1.1	3253	37	37½	36 +2⅜
BostBc .60	2.8	594	21½	20¾	21¾ + ⅛
BshnDig		1879	3¼	3⅛	3⅛ — ⅛
BshnFB		1220	3	2¾	2¾ — ⅛
BostTc		4331	4¾	3⅞	4⅛ — ⅛
BradBc		709	13⅜	12¾	13⅜ + ⅛
BradyW .48	1.2	6741		39	39¼ — ⅛
Brainte .09i		1	3¾	3½	3½ — ⅛
Braids		1	2¾	2½	2½ — ⅛
Brand		1821	19¼	17½	17½ — 1⅛
Brandin s .24	3.4	7	7	7	7 — ⅛
BrntSv		116	1	⅞	⅞ — ⅛
Brkwtg		600			6 — ⅛
Brenco .20	2.5	887	8¼	7⅞	8⅛ + ⅛
Brendle s		116	1	2⅛	2⅛ — ⅛
Bridgfd s .16	.8	10	19½	17¾	19½ + 1⅛
BrilleV		2374	7¾	6¾	6¾ — ⅛
BroadN		50	1	⅝	⅝ — ⅛
BrocTin		1364	12¾	11¾	11¾ — ⅛
BdwyFn		48	1⅞	1¾	1¾ — ⅛
Brktree		1047	15½	13¾	15⅜ +1½
BrTom		411	1	⅞	1 — ⅛
Brunos .20	1.3	2357	16¾	15¾	15¾ — ⅛
BrynMw .60	4.8	715		15	15 — ⅛
Buffet		11259	37½	32¾	35½ +2½
Bulldt		664	8¾	7½	7½ — ⅛
BullRGd		123			6¾ — ⅛
BurnaS		443	7¾	6⅞	7 — ⅛
BurrBr		123	9¾	9	9 — ⅛
BurrIl		722	3½	3	3½ + ⅛
BusnRc		78	17	16½	17 — ⅛
ButlrsM		217	15¾	15¾	15¾ — ⅛
Bytex		2824	12¾	11	11¾ — ⅛
C					
CA Shrt		43	4½	3½	4 +⅛
CBT s .48	3.8	268	12¾	12½	12¾ — ⅛
CBL Med		578	4⅜	4⅛	4⅛ — ⅛
CBNL wt		21	2¾	2⅝	2⅝ — ⅛
CCBcs		1044	5	4¾	4¾ — ⅛
CCNB s 1.62	3.9	86	41½	39½	41½ + ⅛
CCNB .80	4.6	264	17	16¾	16¾ — ⅛
CCOR		1031	4¾	3¾	4¼ — ⅛
CEMI s		562	11½	10¾	11⅛ + ⅛
CFS .15e	3.2	30	4¾	4¾	4¾ — ⅛
CFSB Bc .17e	1.3	225	13½	12¾	12¾ — 1⅛
CIS Tch		4950	6¾	6⅜	6⅜ + ⅛
CLF Inv .48	3.6	100	4¾	3¾	3¾ — ⅛
CMS Dt		100	4¾	3¾	3¾ — ⅛
CNB .80b	3.6	43	24½	22½	23 — 1
CPAC .36	3.0	266	9¾	8¾	9 — ⅛
CPB .64	2.7	67	24	23	24
CSC Ind		235	3⅜	3⅜	3⅜ — ⅛
CSF Hld		171	9½	8½	9 +1
CSP		957	6½	6⅛	6½ + ⅛
CTEC		522	15¾	14¾	15¾ + ⅛
CU Bnc .30	3.2	58	9¾	9½	9½ + ⅛
CabalM		4555	16½	15¾	15¾ — ⅛
Cache		1859	2¾	2⅝	2⅝ — ⅛
CACI		1944	3¾	3½	3⅝ — ⅛
CdbyS 2.74e	4.2	1924	65¾	62¾	64½ +1½
Cadelin		1594	2	1⅞	2 — ⅛
Cadmus .20	2.8	133	7¼	6¾	7¼ + ⅛
Caere		4750	28½	19	28½ + ⅛
CalGph .40	2.3	62	4¾	3¾	4¼ — ⅛
CalRep .40	2.3	3	18	17¾	17¾ — ⅛
Calgene		11976	7⅜	6⅝	7⅛ + ⅛
Calgn pf 2.25	7.8	585	29½	27	28¾ + ⅛
CalAmp		203	2¼	2⅛	2⅛ — ⅛
CalBnc		254	13½	12¾	13 — ⅛
CalBio		6709	15½	12¾	15½ +2⅜
CalFed .40	3.5	310	11½	11	11½
CalMic		2067	3¾	3¼	3⅜ + ⅛
CalMic		2026	17¾	15¾	16 — 1¾
CalSBk †		37	10⅜	10	10 — ⅛
CalWtr 1.80	6.1	137	29½	28	29½ + ⅛
Callon .28e	28.4	133	1⅜	1⅜	1⅜ — ⅛
Calloway		882	6½	5¾	6⅛ — ⅛
Cambrs s		741	17¼	16	16 — ⅛
CambBo		16877	7⅜	6½	7⅜ — ⅛
CambNe		517	9¾	9	9 — ⅛
Camdn		1895	8¾	7	8⅛ — ⅛
CamEx		3114	14¾	14	14 — ⅛
Canonl .44e	.8	309	55¼	53½	53½ — 1⅜
Canonie		2900	9½	8¾	9½ + ⅛
CanyRs		8648	1⅞	1¾	1⅞ + ⅛
CapCtyWt		495			1¾ — ⅛
CCBT 1.00	5.7	499	18¼	16½	17½ + ⅛
CapAsc		60	⅛		⅛ — ⅛
CapBnc		2178	14¼	13¾	13¾ — ⅛
CapSav .50e	2.4	15	21¾	20¾	20¾ — ⅛
CapitBc		1123	4¾	4½	4¾ — ⅛
CapTrs .20e	1.8	1140	20½	19¼	20¼ — ⅛
CrdnID .08	.2	3661	46¾	43	45½ +1½
CardFn .15i		6	9½	9½	9½ + ⅛
CareGp		518	5½	5	5⅛ — ⅛
CreG wt		7	2½	2½	2½ — ⅛
Carenwk		1241	17	16	16½ — ⅛
CarlCm .57e	4.1	1510	16½	15¾	16¼ + ⅛
Carmik		573	15½	13¾	13¾ —2
CarolFd .40	3.4	47	11¾	10	11¾
Carlngtn		704	10½	9¾	10½ + ⅛
Carver		175	2¾	2¼	2¾
Cascde .40a	3.5	163	18½	17¾	17¾ — ⅛
CascInt		7638	11¾	10¾	11 — ⅛
CastlEn .12	1.1	4218	11¾	10¾	10¾ — ⅛
CastlEn		454	4¾	4½	4½ — ⅛
CathBcp .60	3.4	66	18¾	17½	17½ — ⅛
CathStr		2289	10½	9½	9½ — ⅛
CathCo		6862	12	11	11 — ⅛
CathRg		122	2¾	2½	2½ — ⅛
Celgene		2450	11¾	8¾	11¾ +2⅜
CellTch		1075	7	6¾	6¾ — ⅛
CellTC wt		530	¼	⅛	⅛ —

Budget Gap and Rate Cut Expected in Australia

Agence France-Presse

SYDNEY — The Australian government is expected to announce on Tuesday its first budget deficit in five years and a cut in interest rates soon afterward, economists said over the weekend.

Most economists predicted that Treasurer John Kerin would propose a deficit of around 3 billion to 5 billion Australian dollars ($2.3 billion to $3.9 billion) for the year to June 30, 1992. This compares with the 1990-91 surplus of 6.2 billion dollars.

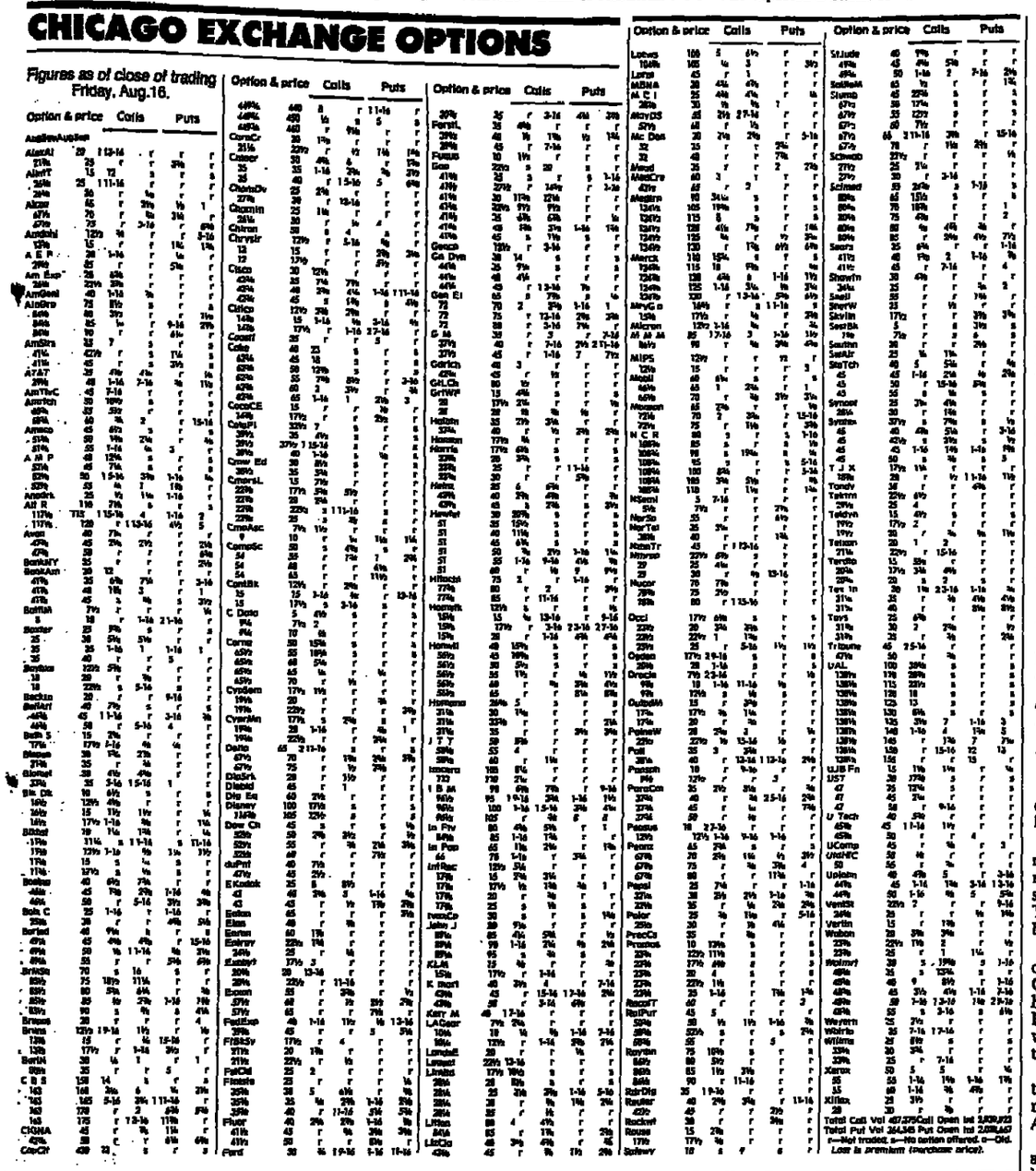
Analysts said that figures out last week showing that gross domestic product had shrunk 2.4 percent in the year to June 30 heralded interest rate cuts after the budget.

The spending sprees of the 1980s, evidenced by net foreign debt soaring past 130 billion dollars, mean that Canberra could not spend its way out of recession as the former conservative government did during the 1982-83 downturn, the economists said.

The 1980s "was quite a good party, but come the dawn and the hangover starts," said Bruce Freedland, economist at Commonwealth Bank of Australia. He said he expected a deficit of 3.5 billion dollars.

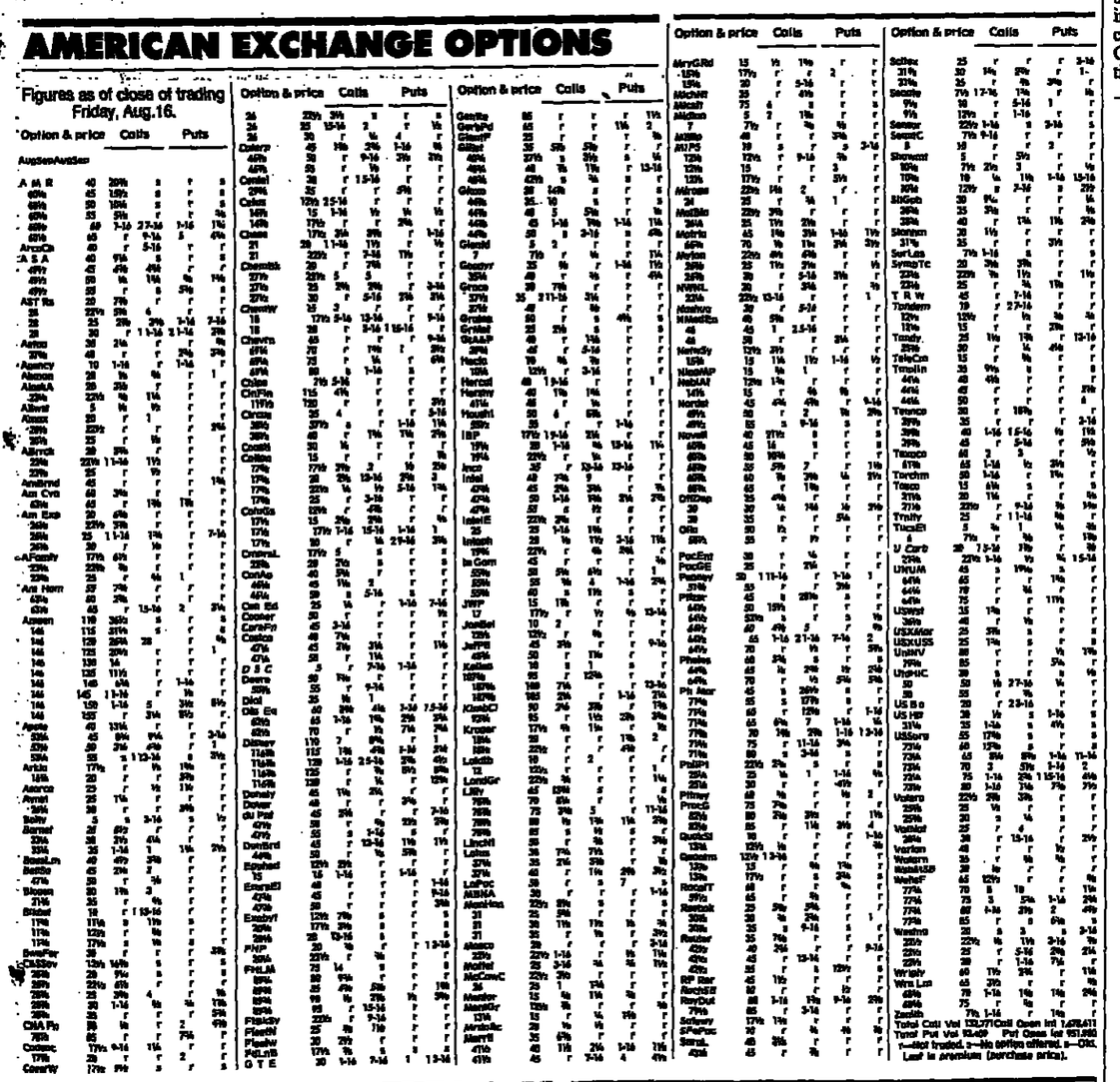
CHICAGO EXCHANGE OPTIONS

Figures as of close of trading Friday, Aug.16.



AMERICAN EXCHANGE OPTIONS

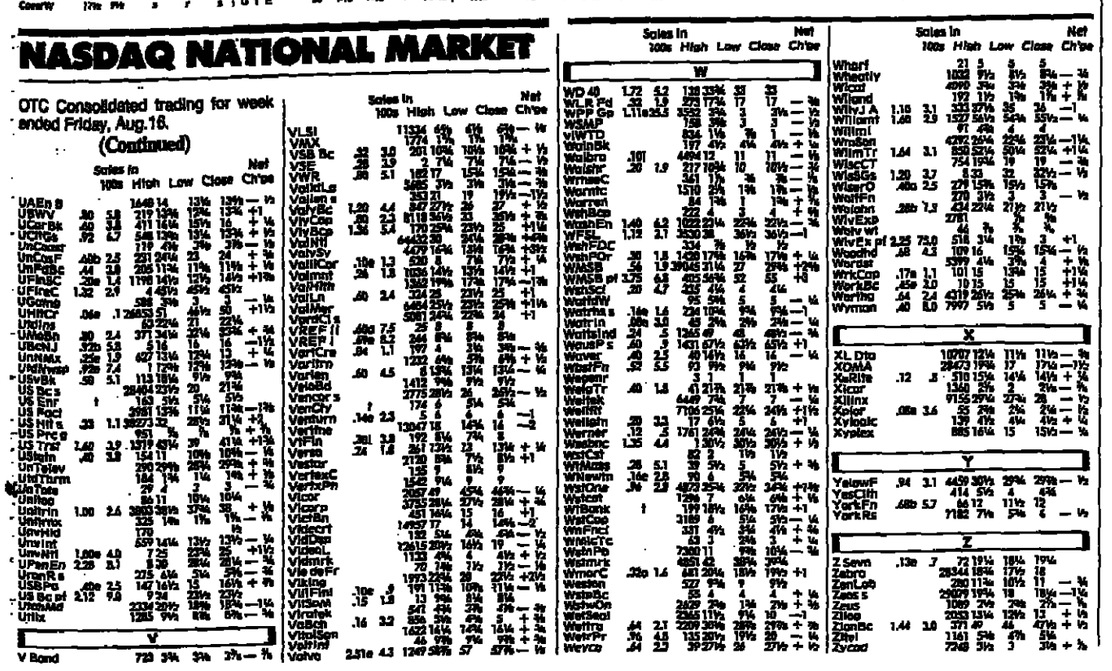
Figures as of close of trading Friday, Aug.16.



NASDAQ NATIONAL MARKET

OTC Consolidated trading for week ended Friday, Aug.16.

(Continued)



WORLD STOCKS IN REVIEW

Via Agence France-Presse

Amsterdam

Shares moved modestly upwards as the week progressed, investors having already largely discounted the Bundesbank decision Thursday to raise interest rates, and the removal of uncertainty saw the CBS all-share index end at 199.80, compared with 198.70 a week earlier.

Total volume reached 2.3 billion guilders, compared with 2 billion a week earlier.

Sharp differences among ministers in the Dutch government are likely to discourage investors from buying in Amsterdam, according to the Kempen & Co. brokerage.

Frankfurt

Stimulated by Wall Street and a firm bond market, the Frankfurt Stock Exchange had another good week.

The Bundesbank's rate moves brought little short-term reaction from dealers, who saw the move as promising for prices and long-term prospects on the bond market.

The DAX index closed at 1,653.33 points, up by 21.12 points, or 1.29 percent, against the previous Friday. The volume of trade on the eight German exchanges was almost the same as the previous week's, at 23.24 billion Deutsche marks against 23.40 billion.

Of the blue chips, construction and public works led the market. Hochtief closed at 1,350 DM, up 60 DM, and Holzmann at 1,370 DM, up 70.

Hong Kong

Trading on the local stock market took a dull turn toward the end of the week after the Hang Seng index hit a record high of 4,079.01 Wednesday.

The Hang Seng gained about 1 percent over the week to close at 4,063.28 Friday. Average daily volume was down at 1.13 billion Hong Kong dollars from the previous week's 1.53 billion.

The market opened strongly Monday, after a local interest rate cut on savings boosted buying. Profit-taking set in Tuesday to clip 17 points off the Hang Seng although more buying returned Wednesday, pushing the barometer to a historical high of 4,079.01.

Dealers said they expected the Hong Kong bourse to fluctuate around current levels next week.

London

Market confidence that the worst of the recession was over pushed share prices to a fresh high over the past week.

Encouraging retail sales and manufacturing output figures were seized upon as evidence that the recovery was already under way while fresh rises in unemployment, a 28 percent slump in manufacturing investment and the Bundesbank's decision to raise German interest rates were all discounted. The FTSE-100 index gained 50.4 points to 2,621, a record closing high.

The fall of inflation to 5.5 percent in July from 5.8 percent in June reinforced market confidence that British monetary policy would not need to be tightened in response to the Bundesbank's move.

Banks were major beneficiaries of the recovery sentiment. Midland and Lloyds made the biggest gains.

Milan

Milan stocks closed out a very short trading week on Wednesday with a 0.82 percent loss on the three days of trading as the MIB stock price index finished at 1,093.

Activity was slightly up on the previous week, with 26 million shares traded per day compared with 19 million.

The biggest loser was Fiat, down 3.89 percent on the truncated week.

Paris

The three-day week of the Paris market saw a modest rise that gave hope for better times to come, with traders shrugging off recent poor indicators in France in favor of promising indicators from the United States.

After several weeks in the 1,750-1,760 range, the CAC 40 index finally broke through the 1,800 barrier, closing Wednesday at 1,820.31, 2.1 percent up on its level at the end of the previous week.

Analysts at Indosuez were confident that French rates would not be forced upward by the Bundesbank move.

Singapore

The Singapore stock exchange saw massive selling during the week with key players liquidating their positions in an uncertain market.

Malaysian blue chips were the target of the selling pressure and news of Malaysia's decision to curb money supply and car loans further dampened sentiment on the already bearish Singapore bourse.

The key Straits Times industrial index plunged 68.76 points, or 4.7 percent, to end the week below the 1,400-point psychological barrier at 1,393.74, a six-month low. Volume for the week rose 54.7 percent to 224.8 million shares, against the previous week's 145.3 million.

Tokyo

Share prices continued to fall on the Tokyo Stock Exchange in lethargic trading with the Nikkei average closing out the week below the psychologically important 23,000-point level.

The key indicator of 225 blue chips finished the week at 22,814.37, down 620.25 points or 2.6 percent from a week earlier.

Trading remained thin with daily volume averaging 204.6 million shares, but up from the previous week's 171.1 million shares.

As this was the traditional summer vacation week, many fund managers were out of the market.

Almost all sectors were lower, led by securities firms, high-tech electricals and large capital steel and shipbuilding stocks.

Zurich

The Zurich market marked time over the past week with a near-total absence of foreign investors, and very thin trading left the Swiss Performance Index at 1,123.7 points, 0.6 points down compared with the previous week's end.

The Bundesbank rate rise having been discounted, there was little effect on share trading. Greater interest was expressed in the coming Swiss inflation figure for August, which traders hoped would take the year-on-year rate below 6 percent.

FORTRESS: *How an American Company Cracked the German Market*

(Continued from first finance page)

country," he added. "The payoff is here if you have the right product or idea."

Success in Germany means adapting to a nation where federal, state and local governments have a strong regulatory role and responsibility for an extensive social welfare network. That has spawned legions of bureaucrats and a bewildering maze of rules and regulations.

German labor laws and work habits are another stumbling block for foreign companies. Germans enjoy the shortest working hours, highest pay and nearly the longest vacations in Europe. And they have more rights in the workplace than workers in other major industrial nations.

Representatives of the nation's powerful trade unions also sit on the boards of most major companies, including those that are American-owned.

German workers are also disciplined, skilled and well educated. In Europe, they rank second in productivity to the Belgians. Edwin L. Artzt, chairman and chief executive of Procter & Gamble Co. and head of its European operations from 1975 to 1980, said: "Germany is an especially strong source of engineering talent and production skill. This at least partly offsets its stringent rules on working conditions."

Using local managers is the best method of avoiding the German market's pitfalls, according to some experts.

Toys 'R' Us chose a German, Mr. Kloser, as its point man. An energetic 52-year-old, Mr. Kloser had been a board member of Kaufhof AG, a big department store chain. Even so, his early days with Toys 'R' Us were tough.

"When you ask a city for a construction permit, the first thing they do is ask the local chamber of commerce and retailers' association what they think of your idea," Mr. Kloser said in an interview at his headquarters in Cologne. "They always said the same thing: A toy store belongs in the city center, not in the meadow on the edge of town."

Toys 'R' Us needed the meadows to build its sprawling stores and parking lots the size of football fields. "What they were really worried about was competition," Mr. Kloser said.

The German Toy Manufacturers Association questioned why a toy store would sell so many nontoy items. Most toy retailers here are family-run operations that sell games, puzzles, dolls and the like, a far cry from the mammoth Toys 'R' Us outlet that stocks everything from kids' clothes and bicycles to baby food and diapers.

Gebruder Marklin & Co., Germany's leading manufacturer of model trains, announced it would never sell products to Toys 'R' Us, contending that its image would be cheapened. Several other suppliers followed suit.

Mr. Kloser persisted, making the rounds of trade shows, negotiating for store sites, presenting the company's plans to local officials. "I knew our concept was sound," he recalled. "Finances were no problem. The parent company in the States was willing to commit hundreds of millions of dollars if need be."

That was fortunate, since the cost of doing business in Germany can itself be a formidable hurdle. In addition to hourly labor costs that are the highest in the world, Germany's energy and some raw material prices can be three to four times higher than those in America.

But the marketing methods of Toys 'R' Us paid off after the chain's shaky start. Its first German store opened in late 1987. Now, it has 18 stores in as many cities, with seven more scheduled to open this year.

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19-8-91

MONDAY SPORTS

U.S.-Cuba: Singularly Uninspired Double

By Michael Wilbon
Washington Post Service

HAVANA — It was to be the grandest day of these Pan American Games. It was set up days in advance, with plenty of time to dream and anticipate the drama. There wouldn't be enough seats to hold all the people who would arrive to see a day-night, U.S.A.-Cuba doubleheader, basketball for the gold in the afternoon, baseball for the gold at night.

The U.S. basketball team barely survived the qualifying round, and was the subject of more interest than usual because it shuttled back and forth from Miami. With the absence of the great Oscar from Brazil, Cuba was the surprise team in the sport.

The baseball stadium, packed far beyond the 55,000-seat limit for Cuba's initial 3-2 victory over the United States a week earlier, had rocked and swayed to the rhythms of hot Latin American beats, in a way no major league baseball crowd is capable. People were already making plans to arrive at 5 P.M. Saturday for the gold medal game, scheduled to start 3½ hours later. Officials would probably have to turn away thousands who would come to see the rematch.

A Cuban victory in basketball would be an enormous upset, as would a U.S. victory in baseball. Probably, Fidel Castro would take his customary seat at both venues, presumably again doing The Wave.

But isn't there a saying about the best laid plans? In this case, Puerto Rico had a doubleheader thriller of its own on Thursday and Friday, knocking off the U.S. basketball and baseball teams.

The United States and Cuba played each other in basketball all right, but in an anticlimactic bronze medal affair that barely filled half the arena. Castro, understandably, wasn't in attendance. The Americans, with UCLA's Tracy Murray making six of seven shots, scored a 93-74 victory and at least left the island with bronze medals around their necks.

The Americans were lucky to have necks by game's end. Stanford's Adam Keefe almost squared off with an opposing player while grabbing a rebound early in the game, then was slapped by a Cuban player on the way to the locker room at halftime. And Maryland's Walt Williams, in the midst of an acrobatic lay-up, was submarined by Angel Caballero and was left with an aching back.

In the main attraction, Puerto Rico won its first gold medal in basketball at the Pan Am Games, defeating Mexico, 77-65. Raymond Gausse scored 25 points and José Ortiz 15 for Puerto Rico.

Earning a medal was an endurance test for the U.S. baseball team, which needed 15 innings to beat the Dominican Republic, 2-1, in a splendid pitchers' duel that was played out before a largely empty stadium. A good-size throng eventually did fill the stadium, but it was later Saturday to watch Cuba pound Puerto Rico, 18-3, for the gold. Cuba hit seven homers, including three by Eremidelio Urrutia.

Regardless of the outcome in the U.S.-Dominican Republic game, the star was Felix Manuel Nova, the 27-year-old Dominican who pitched 13 innings, giving up eight hits and a single run. He shut out the United States over his final 11 innings.

All in all, Consolation Day didn't go badly. And if the players on either U.S. team got half as much out of this two-week journey as Duke's Grant Hill did, the experience has to be considered a success.

"I feel fortunate to have been able to see Cuba," he said, "which is a chance most people haven't had and probably won't for a while."

"Before we got here I was told that Cubans did not like Americans too much. But all the people I came in contact with were warm and friendly. It's unfortunate we miss out on each other. There's so much we could give them, and probably there's a lot they could give to us."

■ An Upset in the Making

Six gold medals in swimming raised American spirits, but they weren't likely to prevent the first U.S. loss in total golds at the Pan American Games in 40 years, The Associated Press reported.

Not since the first games in 1951, when the United States sent teams in only 15 of 21 sports and trailed host Argentina, have the Americans lost the gold race.

But Cuba went into Sunday's final day trailing the United States by one gold medal and heavily favored to win most of the 11 gold medal boxing matches.



The Feat Of the Feet

It's the head of Beatrix Mullner, of Austria's synchronized swimming team, but the feet of her teammate Karin Winkler emerging from the water of the pool in Athens, where the two were working out in preparation for the finals of their discipline in the European Swimming Championships.

Adrian Pegeon/Agence France-Presse

SCOREBOARD

BASEBALL

Major League Standings

(Through Saturday's Games)

AMERICAN LEAGUE

East Division

	W	L	Pct.	GB
Toronto	64	54	.542	—
Detroit	62	56	.525	2
Boston	58	59	.496	5½
Milwaukee	54	63	.462	9½
New York	53	62	.461	9½
Baltimore	48	69	.410	15½
Cleveland	38	78	.328	25

West Division

Minnesota	70	48	.593	—
Chicago	66	51	.564	3½
Oakland	64	54	.542	6
Seattle	63	54	.538	6½
Kansas City	61	54	.530	7½
Texas	59	56	.513	9½
California	57	59	.491	12

NATIONAL LEAGUE

East Division

	W	L	Pct.	GB
Pittsburgh	69	46	.600	—
St. Louis	62	53	.539	7
Chicago	58	58	.500	11½
New York	57	59	.491	12½
Philadelphia	55	61	.474	14½
Montreal	47	68	.409	22

West Division

Los Angeles	65	51	.560	—
Atlanta	63	52	.548	1½
San Francisco	57	59	.491	8
San Diego	57	60	.487	8½
Cincinnati	56	59	.487	8½
Houston	48	68	.414	17

Friday's Line Scores

AMERICAN LEAGUE

Texas	111	010	100	—5	12	0	
Cleveland	000	000	030	—3	5	0	

Brown, Rogers (8), Russell (8) and Rodriguez; King, Shaw (5) and Skinner, Lopez (9). W—Brown, 8-9. L—King, 5-7. Sv—Russell (23). HRs—Texas, Gonzalez (22). Cleveland, Belle (21).

Texas	000	440	001	— 9	11	1	
Cleveland	004	103	41x	—13	12	0	

Witt, Matthews (4), Jeffcoat (6), Rogers (7) and Petralli, Stanley (4); York, Orosco (5), Olin (8) and Lopez, Skinner (8). W—Orosco, 2-0. L—Jeffcoat, 5-3. HRs—Texas, Palmer (8). Cleveland, Belle (22).

Toronto	010	001	000	—2	6	3	
Detroit	101	000	03x	—5	7	0	

Key, Ward (8) and Borders; Cerutti, Gohler (9) and Allanson. W—Cerutti, 2-4. L—Key, 12-8. Sv—Gohler (1). HRs—Toronto, Gruber (14). Detroit, Phillips (15).

Kansas City	000	001	001	—2	7	0	
Boston	100	000	12x	—3	7	0	

Saberhagen, S.Davis (8) and Mayne; Clemens, Fossas (8), Reardon (9) and Pena. W—Fossas, 3-2. L—S.Davis, 3-8. Sv—Reardon (31). HR—Boston, Plantier (1).

Chicago	022	000	010	—5	10	2	
New York	001	110	021	—4	13	0	

Alvarez, Pall (5), M. Perez (7), Radinsky (8), Thigpen (9) and Karkovice; P. Perez, Leary (5), Monteleone (9) and Geren, Nokes (8). W—Monteleone, 1-1. L—Radinsky, 4-4. HRs—Chicago, Pasqua (13). New York, R. Kelly (11).

Baltimore	030	100	001	—5	11	0	
Milwaukee	031	130	00x	—8	13	0	

Johnson, Smith (3), Frohwirth (5) and Melvin; August, Machado (7), Nunez (9) and Surhoff. W—August, 9-5. L—Smith, 5-4. HRs—Baltimore, Gomez (10), Devereaux (13).

Oakland	000	202	000	000	—4	9	3
Minnesota	011	000	002	001	—5	14	1

(12 innings)

Moore, Honeycutt (8), Eckersley (9), Show (11), Klink (11), Nelson (12) and Quirk, Steinbach (10); Tapani, Guthrie (8), Bedrosian (8), Aguilera (12) and Harper. W—Aguilera, 3-4. L—Nelson, 1-4. HRs—Oakland, Canseco 2 (33).

California	000	002	001	—3	8	0	
Seattle	103	100	00x	—5	7	2	

Grahe, Fetters (3), Bailes (7) and Parrish; Krueger, Jackson (6), Murphy (9) and Bradley, Valle (8). W—Krueger, 10-5. L—Grahe, 1-4. Sv—Murphy (4).

NATIONAL LEAGUE

Philadelphia	000	000	100	—1	6	2	
Chicago	600	011	01x	—9	13	1	

Ruffin, Searcy (1), Beever (6) and Daulton; Sutcliffe, Lancaster (9) and Girardi. W—Sutcliffe, 3-4. L—Ruffin, 3-4. HRs—Philadelphia, Daulton (7). Chicago, Walton (4), Salazar (11).

New York	000	000	101	—2	9	5	
Pittsburgh	020	002	00x	—4	9	0	

Fernandez, Innis (5), Simons (6), Burke (8) and Cerone; Tomlin, Kipper (8) and Slaught. W—Tomlin, 8-4. L—Fernandez, 8-3.

St. Louis	200	100	010	—4	7	0	
Montreal	000	000	002	—2	5	0	

Tewksbury, L. Smith (9) and Pagnozzi; Nabholz, Ruskin (8), Reles (8) and Fitzgerald. W—Tewksbury, 8-8. L—Nabholz, 2-5. Sv—L. Smith (22).

Cincinnati	000	032	000	—5	8	0	
San Francisco	000	000	000	—0	5	0	

Kl. Gross, Dibble (9) and Oliver; Black, Downs (6), Beck (8), Hickerson (9) and Kennedy. W—Kl. Gross, 5-4. L—Black, 9-11. HR—Cincinnati, Oliver (6).

Atlanta	000	012	000	—3	7	0	
San Diego	000	000	100	—2	6	1	

Reynoso, Stanton (8) and Cabrera, Olson (8); Bones, Melendez (8), Maddux (9) and Santiago. W—Reynoso, 2-8. L—Bones, 1-1. Sv—Stanton (4). HRs—Atlanta, Pendleton (16). San Diego, McGriff (25), Howell (1).

Houston	000	100	000	000	0—1	7	0
Los Angeles	000	000	010	000	3—4	7	0

(13 innings)

Kile, Osuna (8), Henry (11), Corsi (13) and Biggio; Hershiser, Gott (12), Crews (6), McDowell (8), Howell (10), Ka.Gross (12) and Carter, Sciascia (8). W—Ka. Gross, 7-9. L—Corsi, 0-5. HRs—Houston, Simms (1). Los Angeles, Strawberry (17).

Saturday's Line Scores

AMERICAN LEAGUE

Kansas City	110	000	002	—4	11	1	
Boston	300	000	000	—3	6	1	

Aquino, Montgomery (9) and Soehr, Mayne (7); M. Young, Harris (8), Fossas (8), Reardon (9) and Pena. W—Aquino, 6-2. L—Reardon, 0-3. Sv—Montgomery (25). HR—Kansas City, Cromartie (1).

Texas	000	110	000	—2	7	0	
Cleveland	000	000	00x	—0	7	0	

Jo. Guzman, Ja.Russell (9) and Rodriguez; Blair, Nichols (8) and Skinner. W—Jo. Guzman, 8-5. L—Blair, 0-1. Sv—Ja.Russell (24). HRs—Texas, Downing (13), Reimer (11).

Chicago	010	100	000	—2	9	1	
New York	110	010	10x	—4	8	2	

McDowell and Fisk; Taylor, Habyan (7), Guetterman (8), Farr (9) and Nokes. W—Taylor, 6-7. L—McDowell, 14-7. Sv—Farr (17). HR—New York, Espinoza (4).

Oakland	301	000	000	—4	8	1	
Minnesota	013	033	11x	—12	16	0	

Welch, Show (6) and Steinbach; Morris and Harper. W—Morris, 15-9. L—Welch, 10-8. HR—Oakland, Canseco (34).

Toronto	030	111	010	—7	8	2	
Detroit	000	022	000	—5	8	0	

Ju.Guzman, Timlin (5), Acker (6), MacDonald (6), Henke (9) and Borders; Aldred, Gibson (5), Gakeler (8), Kaiser (8) and Tettleton. W—MacDonald, 3-1. L—Aldred, 0-2. Sv—Henke (27). HRs—Toronto, Maldonado (8), Olerud (14). Detroit, Whitaker (19).

Baltimore	000	000	051	—6	12	2	
Milwaukee	010	040	20x	—7	11	1	

McDonald, Frohwirth (5), Poole (5), Flanagan (8) and Holles, Melvin (8); Navarro, Henry (8), Nunez (9) and Surhoff. W—Navarro, 11-9. L—McDonald, 5-7. Sv—Nunez (7). HRs—Baltimore, C. Ripken (25), Ch. Martinez (9). Milwaukee, Surhoff (2).

California	100	210	000	—4	8	0	
Seattle	100	000	000	—1	9	0	

Finley, Eichhorn (8), Harvey (8) and Tingley, Parrish (3); DeLucia, C. Jones (5), Fleming (8) and Valle. W—Finley, 15-6. L—DeLucia, 10-8. Sv—Harvey (28). HRs—California, Solo (3), Joyner (17), Gantt (15).

NATIONAL LEAGUE

Philadelphia	000	010	220	—5	9	0	
Chicago	000	007	001	—2	8	0	

Mulholland, Mi. Williams (9) and Daulton; Bielecki, Wilson (8), Baskie (8) and Girardi. W—Mulholland, 12-10. L—Bielecki, 11-8. Sv—Mi. Williams (23). HRs—Philadelphia, Chamberlain (6), Murphy (15), Daulton 2 (9).

Cincinnati	105	000	001	—7	11	1	
San Francisco	000	000	000	—0	6	0	

Scudder, Charlton (6), Power (9) and Reed; Burkett, Robinson (3), Oliveras (9) and Manwaring. W—Scudder, 4-3. L—Burkett, 9-7. HRs—Cincinnati, O'Neill (22). Saba (18), Morris (9).

New York	010	000	000	—1	5	0	
Pittsburgh	011	010	10x	—4	10	0	

Gooden, Schourek (7), Pena (8) and O'Brien, Cerone (8); Z. Smith, Belinda (9) and Slaught. W—Z. Smith, 11-9. L—Gooden, 12-7. Sv—Belinda (12). HR—New York, Johnson (26).

St. Louis	000	000	000	—0	6	0	
Montreal	000	111	00x	—3	9	1	

Scudder, Charlton (6), Power (9) and Reed; Burkett, Robinson (3), Oliveras (9) and Manwaring. W—Scudder, 4-3. L—Burkett, 9-7. HRs—Cincinnati, O'Neill (22). Saba (18), Morris (9).

New York	010	000	000	—1	5	0	
Pittsburgh	011	010	10x	—4	10	0	

Gooden, Schourek (7), Pena (8) and O'Brien, Cerone (8); Z. Smith, Belinda (9) and Slaught. W—Z. Smith, 11-9. L—Gooden, 12-7. Sv—Belinda (12). HR—New York, Johnson (26).

St. Louis	000	000	000	—0	6	0	
Montreal	000	111	00x	—3	9	1	

Ju.Guzman, Timlin (5), Acker (6), MacDonald (6), Henke (9) and Borders; Aldred, Gibson (5), Gakeler (8), Kaiser (8) and Tettleton. W—MacDonald, 3-1. L—Aldred, 0-2. Sv—Henke (27). HRs—Toronto, Maldonado (8), Olerud (14). Detroit, Whitaker (19).

Baltimore	000	000	051	—6	12	2	
Milwaukee	010	040	20x	—7	11	1	

McDonald, Frohwirth (5), Poole (5), Flanagan (8) and Holles, Melvin (8); Navarro, Henry (8), Nunez (9) and Surhoff. W—Navarro, 11-9. L—McDonald, 5-7. Sv—Nunez (7). HRs—Baltimore, C. Ripken (25), Ch. Martinez (9). Milwaukee, Surhoff (2).

California	100	210	000	—4	8	0	
Seattle	100	000	000	—1	9	0	

Finley, Eichhorn (8), Harvey (8) and Tingley, Parrish (3); DeLucia, C. Jones (5), Fleming (8) and Valle. W—Finley, 15-6. L—DeLucia, 10-8. Sv—Harvey (28). HRs—California, Solo (3), Joyner (17), Gantt (15).

NATIONAL LEAGUE

Philadelphia	000	010	220	—5	9	0	
Chicago	000	007	001	—2	8	0	

Mulholland, Mi. Williams (9) and Daulton; Bielecki, Wilson (8), Baskie (8) and Girardi. W—Mulholland, 12-10. L—Bielecki, 11-8. Sv—Mi. Williams (23). HRs—Philadelphia, Chamberlain (6), Murphy (15), Daulton 2 (9).

Cincinnati	105	000	001	—7	11	1	
San Francisco	000	000	000	—0	6	0	

MONDAY SPORTS

Cut! The Yankees' Drama Ends



Peter Morgan/The Associated Press

Only his hairdresser knows for sure, but Don Mattingly says his locks were trimmed.

Mattingly Back In Fighting Trim

By Murray Chass
New York Times Service

NEW YORK — Just when the New York Mets seemed to be taking on the skin that the New York Yankees shed when George Steinbrenner got himself banished for life, if not longer, the Yankees have let the Mets know it isn't theirs for the taking.

Gene Michael obviously learned his lessons well as Steinbrenner's administrative assistant, scout, coach, minor league manager, major league manager and general manager. Now he has inherited the owner's role as the man in the disciplinary hirsute. Soon he may inspire the kind of prankish behavior in his players that prompted this bulletin-board note in the Yankees' clubhouse one Steinbrenner spring:

"Locker inspection 9:45 a.m. Tuesday March 23rd. Be neat!! G.S. III."

Forget the 15 career home runs Michael hit (some off the nearest foul poles) in 2,806 times at bat. Forget the hidden ball trick he pulled so shrewdly. Forget the creative contract negotiations he used to conduct for himself (Lee MacPhail, Steinbrenner's first general manager, once said that if he ever needed a contract, he would hire Michael to negotiate for him).

Whatever else Michael has been known for, he will be known forevermore as the man who tried to make Don Mattingly cut his hair.

Mattingly is 30 years old. He began working full time in 1979, and he got married the same year. He has three children and two homes. He wears clean underwear (didn't his mother, like all mothers, tell him he should in case he is run over by a car?). He presumably is mature enough and responsible enough to know when he should get a haircut.

And if he isn't, his mother would surely tell him, wouldn't she? "My mom didn't tell me to get it cut," Mattingly said. "I saw her in Chicago a few days ago. She just said, 'Your hair's long.'"

Michael, through the Yankees' manager, Stump Merrill, said more than that. He said Mattingly had better get a haircut or else he would not play. Some people in the clubhouse believed that if Merrill didn't go along with the general manager's edict, he himself would be in trouble on the grounds that he couldn't control his players.

Funny, that was the precise position Steinbrenner took in 1977 vis-a-vis Billy Martin when Thurman Munson grew a beard in defiance of the owner's rules. Munson finally shed his growth — it wasn't a very good beard anyway — to make Martin's life less difficult.

Munson grew his beard in the relative privacy of a road trip. Mattingly's hairy situation cropped up in front of a full-court New York news media press. More than three dozen reporters, photographers and cameramen waited Friday for more than an hour for Mattingly to arrive in the clubhouse ("Get a haircut!" a fan yelled to one bearded reporter).

Participating in the kind of circus that was a regular event in the George and Billy and Reggie days, the members of the media bided their time by talking to other players whose hair club officials felt was of questionable length and to Carl Taylor, the bullpen catcher, who cut hair professionally for 17 years.

"There are only 12 kinds of haircuts," Taylor said at one point, discussing the relative length of Mattingly's hair, which he described as "short front, long back, but I'm not saying it's long." Taylor's list of haircuts: "Short, medium, long; front, side, back; straight, up, down." Somehow, geometrically, that list of possibilities adds up to a dozen, but only if one learns at the Vidal Sassoon school, which Taylor did.

The seminar on haircutting over, the mob continued its anxious wait for Mattingly, eager to see if he had brought his "long" locks with him or left them on some barber shop floor. When he entered the clubhouse at 5:20 P.M., indeed they were still there, brushing the top of the collar of his black sport shirt.

The crisis, however, had evaporated. Private talks had replaced public talk. The Players Association spoke to the Player Relations Committee, which spoke to Leonard Kleinman, the Yankees' chief operating officer, who spoke to Michael and to Mattingly.

When it was over, and Mattingly and Michael each had confessed to overreacting, one reporter told the general manager he would have made Steinbrenner proud of him.

"He taught me well," Michael said, grinning beneath a freshly cut head of hair. Merrill, too, had his hair cut, indicating a belief that the family that cuts its hair together stays together. Saturday, Mattingly took the plunge and had about an inch of his hair trimmed, by Taylor.

Peace once again appeared to reign in Yankee Stadium, but the Mets could not be happy about the development. They wish they had thought of it as a ploy to distract attention from their dreadful developments. Their problem is they didn't learn from the master.

7-Run 2d Inning Gets the White Sox Going

Compiled by Our Staff From Dispatches

Frank Thomas drove in four runs, including a three-run home run that capped a seven-run second inning on Sunday, shaking the White Sox from their skid and leading them over the Yankees, 11-3, in New York.

Chicago had lost three straight and six of seven to fall back in the American League West race. But the White Sox got 14 hits, including seven during their biggest inning this season. Ron Karkovice and Warren Newson also homered for Chicago.

Greg Hibbard (8-9) won for the first time since June 29, a span that included three losses, three no-decisions and a short stint in the minors. He took a three-hit shutout into the ninth, then allowed Kevin Maas's two-out, three-run homer, his 16th.

Hibbard finished with a five-hitter, struck out three and walked two. The White Sox backed him with four double plays.

Blue Jays 4, Tigers 2: Devon White and Roberto Alomar opened the game in Detroit with back-to-back homers and Tom Candiotti allowed three hits through seven innings to lead Toronto. The triumph moved the Blue Jays three games ahead of second-place Detroit in the American League East.

Candiotti (10-11) allowed two hits in the first inning and didn't give up another until Dave Bergman's one-out single in the sixth. Bergman was erased on a double play as Candiotti retired 15 of the last 16 batters he faced.

After the first two batters homered for Toronto off Bill Gullickson, he hit Joe Carter on the helmet with a pitch. Carter took two steps toward the mound and stopped, but both benches and bullpens cleared. No punches were thrown, but Gullickson, who was seeking his major league-leading 16th victory, was ejected.

Red Sox 5, Royals 1: Jack Clark hit a two-out, two-run homer in the third inning and Kevin Morton allowed just seven hits over 7⅔ innings Sunday, leading the Red Sox in Boston.

Clark's homer, his 21st of the season, came with Phil Plantier on first base after a catcher's interference call on Tim Spehr. Clark sent an 0-1 pitch by Kevin Appier over the fence in center field.

Boston scored three runs in the fourth. Mo Vaughn led off with a double and scored on Luis Rivera's single to right. Rivera was sacrificed to third by Marzano and scored on a Steve Lyons double to right. Wade Boggs scored Boston's final run of the inning when Clark drew a bases-loaded walk.

Brewers 2, Orioles 1: Bill Spiers hit a go-ahead double in the eighth inning in Milwaukee and extended his hitting streak to a career-high 13 games as the Brewers swept three games from Baltimore.

Rangers 9, Indians 4: Juan Gonzalez hit his first major league grand slam and Rafael Palmeiro added a two-run homer to lead the Rangers in Cleveland.

Gonzalez's homer highlighted a five-run sixth inning that broke open a tight game.

Palmeiro, who entered the game as the American League leading batter, went 2 for 5 to remain at .343. *(AP, UPI)*

■ *In Saturday's games, The Associated Press and United Press International reported:*

Royals 4, Red Sox 3: Warren Cromartie hit his first major league homer since 1983, a two-run shot in the ninth inning in Boston to rally Kansas City. Cromartie returned to the majors this season after six years in Japan.

Twins 12, Athletics 4: The Twins rallied for the second straight night in Minneapolis, widening their lead over Chicago in the American League West and sending Oakland to its first six-game losing streak since September 1986.

Minnesota, which rallied Friday night from a 4-2 ninth-inning deficit for a 5-4 victory in 13 innings, trailed by 4-1 in the third before coming back. The Twins, who had 16 hits, went ahead by 7-4 on Shane Mack's three-run double in the fifth.

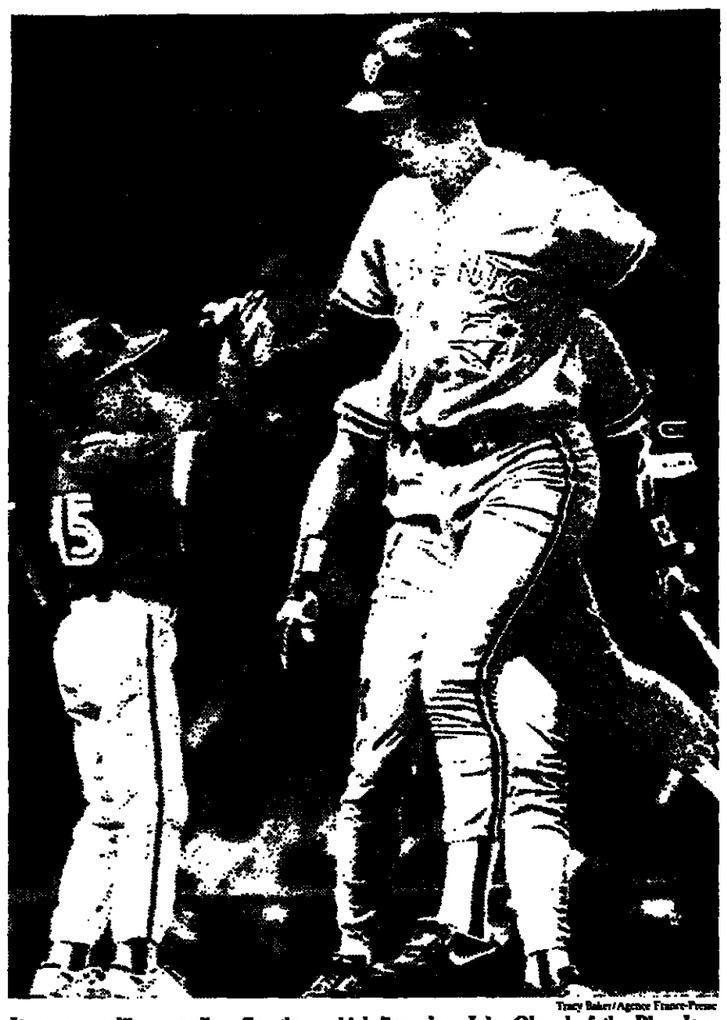
Blue Jays 7, Tigers 5: Candy Maldonado and John Olerud homered in Detroit as Toronto scored only its second victory in 10 games.

Yankees 4, White Sox 2: Don Mattingly doubled in the go-ahead run in the fifth inning in New York. With the score tied at 2-2, Steve Sax lined a single to right, stole second and came home on Mattingly's double to left.

Rangers 2, Indians 0: Jose Guzman pitched eight innings and won for the fourth time in five decisions, and Brian Downing and Kevin Reimer homered for Texas in Cleveland.

Brewers 7, Orioles 6: In Milwaukee, Jaime Navarro beat Baltimore for the third time this season. B.J. Surhoff drove in three runs as the Brewers took a 7-0 lead then held on.

Angels 4, Mariners 1: Wally Joyner, Gary Gaetti and Luis Sojo homered as visiting California ended Seattle's five-game winning streak.



Tracy Baker/Agence France-Presse

It was more like a medium-five than a high-five when John Olerud of the Blue Jays exchanged greetings with bat boy Tyler Tabler following Olerud's fourth-inning homer.

AMERICAN LEAGUE

Pirates Win Again as the Road Grows Longer for Mets

The Associated Press

Completing the New York Mets' worst road trip in their 30-season history, Bobby Bonilla and Andy Van Slyke homered and the Pirates rocked starter Frank Viola for nine runs in 3⅓ innings for a 9-2 victory Sunday in Pittsburgh.

Doug Drabek (12-11) beat the Mets for the first time in Three Rivers Stadium as New York finished 0-10 for its games in Chicago, St. Louis and Pittsburgh. The Mets have lost 22 of 26 and now trail the division-leading Pirates by 13½ games.

The Mets last went winless on a road trip during an 0-9 swing in August 1982, when they lost 15 in a row overall and 24 of 29.

Bonilla, Jay Bell and Don Slaught each had two extra-base hits and Gary Redus hit a bases-empty homer as the Pirates won for the eighth time in nine games. They went 8-2 on their homestand after losing 11 of 13 on the road.

Drabek allowed five hits and two runs — on solo homers by Kevin Elster in the first and Mackey Sasser in the seventh — in seven innings. Bill Landrum finished.

Redus' homer, his fifth, made it 1-1 and triggered the Pirates' four-run third against Viola, who left the field briefly in the first inning after apparently becoming ill.

Bell singled ahead of Van Slyke's two-run homer, his 13th, and Bonilla's double. Slaught's two-out RBI single, the first of his three hits, made it 4-1.

Bonilla, 7-for-11 with four RBIs in the series, hit a three-run homer an inning later and Viola gave way a batter later to Jeff Innis, who allowed consecutive run-scoring doubles to John Wehner and Slaught.

Cardinals 4, Expos 1: Omar Olivares pitched strongly for seven innings and added a two-run double as the Cardinals won in Montreal.

Olivares (6-4) gave up one one, six hits, struck out two and walked one before being relieved with none out in the eighth. Lee Smith, the fourth St. Louis pitcher, worked the ninth for his National League-leading 33d save.

St. Louis took the lead in the fourth inning when Ozzie Smith led off with the first of his two hits off Mark Gardner (6-9). Smith went to second on Gardner's wild pickoff throw and to third on Gerald Perry's single before scoring on Todd Zeile's sacrifice fly.

■ *In Saturday's games, The Associated Press and United Press International reported:*

Dodgers 8, Astros 7: Eddie Murray's run-scoring single with none out in the 10th inning, his fourth hit of the game in Dodger Stadium, kept Los Angeles 1½ games ahead of Atlanta in the National League West.

The Dodgers rallied three times to tie the score, the third time in the bottom of the ninth on Gary Carter's home run.

Loser Dwayne Henry gave up a leadoff infield pinch single in the 10th to pitcher Kevin Gross. Darryl Strawberry, whose two-run homer tied the score in the fifth, walked and Murray tried to hold up his swing on the next pitch. But the ball rolled down the line between third baseman Ken Caminiti and the bag as Gross raced home.

Carter, who pinch hit for catcher Mike Scioscia in the seventh, led off the Dodgers' half of the ninth against Henry with a home run.

Braves 2, Padres 1: Terry Pendleton's two-run double broke an eighth-inning tie, and Charlie Leibrandt and three relievers combined on a three-hitter for Atlanta in San Diego.

Pendleton delivered his second game-winning hit in two games when he sent the first pitch from Bruce Hurst down the left-field line to break a scoreless tie.

Pirates 4, Mets 1: Not even Dwight Gooden, 5-0 with three no-decisions in his previous eight starts, could prevent the Mets' 21st loss in 25 games, this time in Pittsburgh. It was Gooden's first loss since June 30.

Bobby Bonila and Don Slaught each drove in a run and Orlando Merced scored three times for the Pirates.

Reds 7, Giants 0: Scott Scudder, returning from the disabled list, pitched strongly for five innings, and Paul O'Neill homered and drove in four runs for Cincinnati in San Francisco.

Chris Sabo and Hal Morris also homered for Cincinnati.

Expos 3, Cardinals 0: Dennis Martinez pitched a six-hitter in Montreal for his major league-leading fifth shutout as the Expos ended St. Louis' four-game winning streak.

Larry Walker and Ivan Calderon homered for the Expos, who went ahead in the fourth inning.

Phillies 5, Cubs 2: Darren Daulton, a career .413 hitter in Wrigley Field, hit two home runs, and Dale Murphy and Wes Chamberlain also homered for Philadelphia, which won for the 15th time in 18 games.

Daulton, batting only .196 this season, is 33-for-80 lifetime with nine home runs and 24 RBIs in Wrigley Field.

NATIONAL LEAGUE

SIDELINES

Haringa and Germans Star in Cycling

STUTTGART (UPI) — Ingrid Haringa of the Netherlands became the only individual double gold medalist and Germany got two more gold medals Sunday during the final track session of the World Cycling Championships.

Haringa, 27, a policewoman who is a former Olympic speedskater, overcame a late-race crash with a powerful final-lap sprint to add the 50-kilometer women's points race title to the sprint crown she won Thursday in her first world championship.

Defending champion Michael Hubner won the professional keirin and the tandem duo of Emanuel Raasch and Eyk Pokorny completed Germany's domination of the track competition. The host nation won six of 13 track titles, plus one bronze and four silver medals.

Gilford Wins Golf's English Open

SUTTON COLDFIELD, England (Reuters) — David Gilford of England shot 2-under-par 70 Sunday to win his first European tour golf tournament, the English Open, and virtually clinched a place on the Ryder Cup team.

Gilford jumped from 17th to eighth place — the first nine automatically qualify — in the cup standings with a two-stroke victory over Roger Chapman of England, who finished at 71-280. Seve Ballesteros of Spain and Steven Richardson of Britain, both assured of places on the European cup team that will play the Americans next month, tied for third at 282. Ballesteros shot 71, Richardson 73.

● Masashi (Jumbo) Ozaki shot an 11-under-par 61, matching the best round ever played in Japan, to win the Japan PGA Championship by six shots Sunday. *(AP)*

IAAF Says Drug Tally Is 24 for '91

TOKYO (AFP) — The International Amateur Athletics Federation said Sunday that 24 athletes worldwide had failed drug tests in the first half of this year.

The United States topped the list with 10, followed by the Soviet Union with 7, Czechoslovakia with 2 and Bulgaria, Canada, New Zealand, Finland and Romania with one each, the IAAF medical commission said.

The IAAF council said that it would recommend that first offenders be suspended for at least four years instead of the present two years.

Yugoslavia Bars Croatian Athletes

BELGRADE (Reuters) — Croatian athletes have been barred by Yugoslav sports authorities from competing in next year's Olympics in Albertville and Barcelona.

A statement issued Saturday by the Yugoslav Sports Union (YSU) said all athletes from Croatia are "barred from the possibility of competing for Yugoslav national teams by the unilateral decisions of the CSF." The Croatian Sports Federation decided Aug. 1 to withdraw from the Yugoslav Olympic Committee and all Yugoslav sports bodies.

British Win European Football

HELSINKI (AP) — Quarterback Jason Elliott scored one touchdown and set up one with 30 seconds left to lead England to a 14-3 victory over Finland in Sunday's final of the European Championships of Football.

England, the defending champion, was missing missing seven players who have moved on to the World League of American Football, including four who played for the WLAF champion London Monarchs.

For the Record

Canada and Romania, the defending champion, rowed into the women's eight finals Sunday as the World Rowing Championships opened on the Danube near Vienna. *(AP)*

Terry Norris retained his WBC super welterweight title by stopping fellow American Brett Lally in the first round in San Diego. *(AP)*

Bills' Kelly, Giants' Taylor Hurt in Exhibition Games

The Associated Press

Jim Kelly is having a hard time getting through the National Football League's exhibition season.

Kelly, who did not play in the Buffalo Bills' first two games because of a hamstring injury, strained an ligament in his left ankle on his fifth play of Saturday's 35-24 loss to the Green Bay Packers and was on crutches after the game.

"The doctors said I'll probably be out 10 days," said the All-Pro quarterback for the Bills (2-2), hurt when he was tackled by linebacker Tony Bennett. "The X-rays showed no break. I heard it pop and I was scared that it was broken."

The New York Giants, who beat Buffalo in the Super Bowl in January, also lost an All-Pro with an ankle injury Saturday.

Linebacker Lawrence Taylor sustained what was eventually diagnosed as a sprained right ankle while rushing the passer in the first quarter of a 24-10 victory over the New York Jets.

He was taken off the field on a cart; it was not immediately known if he will play in the season opener Sept. 2 against San Francisco.

The Giants' quarterback battle continued, as Jeff Hostetler and Phil Simms each threw a touchdown pass. The new coach, Ray Handley, has promised to name a starter this week.

A Shot in the Dark Grazes Redskin Fan

The Associated Press

WASHINGTON — A passenger on a bus leaving the National Football League exhibition game between the Washington Redskins and the Cleveland Browns was slightly injured by a bullet fired into the bus.

David Loving of Richmond, Virginia, was grazed on the scalp early Saturday by a bullet that knocked a cap off his head. He received eight stitches.

The shot was fired as the bus made its way through traffic near RFK Stadium. "It's kind of a scary thought to know that if I was sitting up in my seat a little more, I'd be dead," Loving said.

IAAF Council Complicates the Question Of South Africa's Comeback by Voting No

The Associated Press

TOKYO — Apartheid still exists in South African sports and that nation is not ready for full membership in track and field's world governing body, the body's 23-member council recommended Sunday.

A final decision rests with the full congress of the International Amateur Athletics Federation, which will meet Tuesday and Wednesday in Tokyo. Should the IAAF agree with the council's recommendation, it would throw into doubt South Africa's participation in track and field at the Olympics next summer in Barcelona.

South Africa's track and field program must be in good standing with the IAAF to compete in Barcelona. It is expected the IAAF will make a provision for Olympic participation for the South Africans.

The council said in a statement after a meeting Sunday that it could not recommend full membership for the South African Amateur Athletics Organization. The IAAF had invited South Africa here to participate in the track and field World Championships, which begin on Friday, but South Africa declined amid political bickering.

"There is currently no unity, no final constitution, no development program in operation in South African athletics and, in some instances, apartheid is still being practiced," the IAAF council said. "This makes it impossible for the IAAF Council to recommend to the IAAF Congress to grant full membership to SAAAA."

But, the council said, "to welcome the South African athletes back to international competition, the provisional membership granted to SAAAA within Africa is maintained."

The council decided in May to allow South African athletes to compete in Africa, in meets in which only African athletes compete.

It was a partial lifting of a ban on South Africa imposed in 1976 as part of international sanctions against apartheid, South Africa's policy of racial separation.

Sampras Beats Becker in U.S. Hardcourts Final

The Associated Press

INDIANAPOLIS — Boris Becker, the top seed and the No. 1 ranked player in the world, double-faulted 10 times, including three straight points in the decisive fourth game of the final set, to virtually hand the U.S. Hardcourts championship to Pete Sampras.

Sampras, the fifth seed, said that was the difference in his 7-6 (7-2), 3-6, 6-3 victory. "The match was based on one game in the third set," he said. "We were even in the first and second sets."

Sampras will use the victory as a springboard in defense of his U.S. Open championship in two weeks.

Becker, seeking his third U.S. Hardcourts title in four years, lost the first set in a one-sided tie-breaker. Scolding himself and shouting in frustration throughout the second set, Becker broke service twice to even the match at one set apiece.

Both players held serve through the first three games of the third set, and Becker led, 15-0, with an ace serve before his string of faults turned the match over to Sampras.

Becker, who had made a change of rackets, faulted on seven straight serves, then lost the game on the next point after hitting the ball into the net on Sampras' return.



Mark J. Terrill/The Associated Press

Kamiko Date of Japan, No. 112 in the world, focused on Sabatini.

"I changed my racket, and the tension was much looser," Becker said. "They brought out some new balls that were faster than the old ones. I figured it out after the first two double-faults. But after that, I had much fear, and that cost me the match."

Sampras moved up to sixth in the computer world rankngs with the victory.

He had a chance to virtually clinch the match in the sixth game of the final set, when he led Becker by 4-1 and was at double set point. Becker followed with an ace, twice forced the game to deuce and had two more aces for a reprieve.

Sampras was on the verge of another break in the eighth game, but the last two of Becker's 12 aces forced the ninth and deciding game. Sampras easily held serve for the victory.

■ Date Upsets Sabatini

Qualifier Kimiko Date of Japan, ranked No. 112 in the world, surprised second-seeded Gabriela Sabatini of Argentina, 3-6, 6-1, 6-4, in the semifinals of the Virginia Slims of Los Angeles, United Press International reported.

Date, 20, had never been past the third round in any tournament since turning pro in March 1989. She will face No. 1-ranked Monica Seles of Yugoslavia for the title and the $70,000 winner's check.

Date used her forehand to hit 42 winners.

Seles moved into her 10th final in as many tournaments by struggling past third-seeded Arantxa Sánchez Vicario of Spain, 6-7 (5-7), 6-4, 6-4.

Seles will again lose her No. 1 ranking to Germany's Steffi Graf even if she wins the title. The Yugoslav needed to beat Sabatini in the final and gain the bonus points for beating a top player.

● No. 11 seed Petr Korda outlasted No. 5 Goran Ivanisevic, 6-4, 6-2, on Sunday to take his first professional title, in the Volvo International in New Haven, Connecticut. Korda did not drop a set all week in gaining the finals in the third of his last four tournaments.

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Imagining New Berlin: Can It Keep Its Essence?

International Herald Tribune

BERLIN — Berliners have always had their own view of themselves: not smug in the style of inhabitants of other major cities with monuments and wide boulevards, but the gritty, unruly and sometimes tragically knowing gaze that is a fundamental part of Berlin's famous humor and that has always set it attractively apart from the rest of Germany.

Separated physically not only from the country but from half of itself, Berlin for many years referred to itself as an island

MARY BLUME

(one of the most popular satirical radio programs of the 1950s was called "Die Insulaner" or The Islanders). Now it faces becoming whole, becoming the contested capital of the unified Germany perhaps becoming no longer uniquely Berlin.

The sense of openness, the optative mood, is thrilling but day-to-day life can be bewildering. If the squatters have decamped easily from overpriced Kreuzberg to Prenzlauer Berg in the former East, where one squat bears the sign "Anarchy and Luxury," middle-aged taxi drivers are uneasy in the East with its unfamiliar streets and vacant lots and unreasonable dead ends, and even the young find East Berliners different in their slang and their lack of cheek. "They seem to hang back and I don't get their jokes," said a 28-year-old from the West. "They are foreigners but in a few years we will get together again," sighed a woman taxi driver in a flowered housedress who had just failed to find one of the East's main streets.

The physical unification of former East and West is in the hands of the Berlin Senate and an advisory council, the Stadtforum, which meets every two weeks to discuss how the city should be remade. The real estate promoters have moved in already. "Reichstag Revival Means Spending Spree," says a headline in EuroProperty, an English magazine whose editor says Berlin is the hottest market in Europe. "I see a lot of cars with Munich plates these days. That means money," says Alexander Dückers in his office in Dahlem, where he is the director of the Museum of Prints and Drawings.

As part of a longstanding plan, Dückers's museum will move to a new building in September, 1992, the first step in a major re-shifting which will limit the Dahlem museums to Islamic, Asian and ethnographic art and create two neighboring museum centers in the middle of Berlin city: the old museum island in the former East and the culture forum in the former West. As an example in miniature of the complication of rebuilding Berlin, 44 firms are working only on the engineering problems the new museum buildings will raise and there are 12 museums in the East and West with collections that duplicate each other, which means that some will close.

Architects have been called in to imagine the new Berlin. An exhibit last year in Frankfurt included projects by Norman Foster, Aldo Rossi, Vittorio Gregotti, Jean Nouvel, Denise Scott Brown and Robert Venturi, and the Iraqi architect Zaha Hadid. One of the more alarming plans, by the Berlin architect Hans Kollhoff, had a version of New York's Downtown and huge skyscraper centers at each end of Unter den Linden.

A date for the selection of the final city plan has not been announced. Whenever it is, says the architect Julius Posener, it will be too soon.

One of the most honored German architectural historians and teachers, Posener is 87 and began his studies in the 1920s when the 1910 competition to redesign Berlin was still in people's minds. He has watched his city change, much of the time from a distance as an exile from Hitler who went to Paris and Palestine, joined the British Army, taught in London and Kuala Lumpur and returned to Berlin to teach in 1961.

"It is extremely sad and very dangerous," Posener says. "Everyone feels everything should move very quickly. I can't say anything about that because we particularly need housing, but decisions taken in a hurry cannot be removed in a hurry."

One decision that outraged Posener and many other Berliners was the sale of a large chunk of land in Potsdamer Platz to Daimler-Benz for, it is said, one-seventh of its market value.

"I have seen plans for the architects commission where that strip of land is left out — you mustn't design anything for that, it belongs to Daimler-Benz," Posener claims. "It's quite disgusting. The senator who thought it should be sold hasn't learned anything because now an equally important bit of land is being sold to a Japanese firm."

One problem, Posener says, is the rush to Architecture with a big A. "I would like first to have a very careful study made of what will happen in terms of population, jobs and income. Then two competitions should be given to town planners: the first in most general terms, the second how people imagine certain parts of the town should look because how it should look is the last thing. First is how can we get this thing going and make it one city again. How can we save the many quite good houses in the eastern part of the city which are in a very sad state, how can we add green space to preserve that aspect of Berlin which is essentially *Berlinisch*."



Wilhelm W Rentz (Posener); Jon Roper/Camera Press

Julius Posener and Potsdamer Platz: Can the old Berlin spirit survive?

What is *Berlinisch* is the low-slung horizon, the sprawling size (341 square miles) and the city's greenness, especially in such unique garden areas as Zehlendorf with its wide streets, unfenced houses and sudden dirt paths and trees Posener grew up near Zehlendorf ("we never went into Berlin") and now lives there in a house built by one of his professors, Erich Blunck.

Suggesting a neighborhood tour, Posener offers his wife's bicycle, jumps on his own French chrome number ("it is the cat's whiskers") and rides along pointing out a white cube by Gropius ("a beautiful house"), a 1911 small house by Mies van der Rohe with curving bronze grills in homage to Karl Friedrich Schinkel, neat blue-shuttered double houses ("for SS officers, as Nazi as they could be"), Bruno Taut's extraordinary mid-'20s flats on Onkel-Tom Strasse, and finally a tiny yellow 1930 house by Heinrich Tessenow that makes Posener laugh with pleasure. "It is a place of sorcery," he says.

The tour is a delight and makes its point: that small unconsidered places are as important to a capital as government offices and a building for Daimler-Benz.

It also makes an equally important unspoken point about memory: What, in designing a new capital, should be remembered, what should be discarded and replaced? When should memory be officialized as history — and whose version of history? — or trivialized into nostalgia like Checkpoint Charlie, filled now with hawkers of Russian caps, purported shards of the Wall, model Trabants, NATO penknives: the detritus of the tragic Cold War?

Memory is often inconvenient and Berlin, living through an enforced retrospective as an island with its so-called mountains made from wartime rubble while West Germany bounded into the economic miracle, is a constant reminder of a troubled past. "In Berlin you could always know that Germany lost the war," Alexander Dückers says. "A part of the resistance of West Germans to Berlin becoming the capital again is that without Berlin you can easily forget German history."

"The Germans have some reason to be afraid of facing history but then again they have to face it," says Posener. "Instead of facing it and asking how it could all happen, they repress it."

The Nazi monuments are gone except for the Olympic stadium and a concrete slab near Spandau on which Albert Speer tested the weightbearing capacities that Hitler's new Berlin, renamed Germania, would require.

A question is what to repress now. Should the Cold War street names of the East be changed and in that case shouldn't John Foster Dulles Allee in the West be changed too (and, to be politically correct, Onkel-Tom Strasse in Zehlendorf)? Can the Reichstag simply be renamed the Bundestag? Should the huge striding statue of Lenin in the East be torn down (Posener and Dückers say no) and was it right to put back the old Prussian insignia on the *quadriga* of the Brandenberg gate (Posener and Dückers say yes).

The answers are not easy. "We can argue that we have to live with history, that to bury it is unhealthy," Dückers says. "To argue that the Lenin statue be kept is perhaps historically correct but it is hard on the people who live there to be reminded every day of those cruel times."

Deprived now of special federal subsidies, the city of Berlin faces a deficit for 1991 of 5.58 billion marks (about $3.25 billion) which is expected to rise next year to 10 billion. At least 150,000 apartments are needed and rents have risen so swiftly that a carpenter who was paying 600 marks a month had to leave when his rent was raised to 4,000. Dückers fears that the city will be boutiquized yet cannot help feeling a certain elation:

"I was born in Aachen in 1939. I remember when the city was destroyed and the joy of seeing it rebuilt. Today when I see a crane, although I know they'll do some bad architecture, I still feel glad."

No one can say how many people will move to Berlin, traditionally the most cosmopolitan and welcoming of cities. "Anyone can become a Berliner but if you were not born in Munich you will never become a citizen of Munich," Dückers says.

The mahogany and curly cornices and heavy tablecloths of Wilhelminian Berlin are gone, the asbestos-filled postwar housing of the East must go. No one knows what the new Berlin will be like and to what extent it will still be itself. Natan Fedorowskij, a 40-year-old Russian who came to Berlin when he was 29 and has done well selling what he calls Stalinist Romantic paintings, thinks it may be time to move on.

"I came to a wonderful international city. Now it's just Germany," he said.

LANGUAGE

From Silk Road to Mr. D

By Nicholas D. Kristof

BEIJING — Arabic is a rich language. There are words for losing one's children, for a carriage taking a virgin into battle, for a disease striking camels in the head. But when I was sweltering in Cairo in the early 1980s, while studying Arabic, what struck me most was that there was only one word, *talg*, that refers, if somewhat hazily, to either ice or snow.

At the time I was yearning for a good *talg*-fall in Cairo, I learned that the Eskimo language has several dozen words for "snow." Which makes perfect sense: the diversity in a language reflects the interests and obsessions of the society speaking it. As a continuing student of the Chinese language, I find that Chinese is especially rich in the specific areas one would expect, given the culture.

There are at least 19 words for silk, for example, and eight for rice. Why? Well, *gao* refers to a tough, white silk; *qi* is a patterned silk; *qian* is a blue-red silk fabric; *kuang* is uncombed silk thread; *si* is regular silk thread; *chou* is another term for silk fabrics, and so on. As for rice, *fan* refers to the cooked product, *dao* to the rice when it is still in the paddy, *xian* to long-grained rice and *mi* to the husked kernels.

□

Since the Chinese care even more for their families than they do for their rice or silk, there is a profusion of words for relations. For instance, Chinese has five words for "uncle." It depends on whether he is your father's older or younger brother, or your mother's brother, or your father's sister's husband, or your mother's sister's husband. In English, the word "cousin" is applied to males as well as females, older people as well as younger people, maternal as well as paternal relations. Not so in Chinese; the rules that apply to "uncle" also apply to "cousin."

Chinese has about two dozen expressions for "wife," but in this case the richness of the language doesn't indicate any special esteem. On the contrary, most of the terms are unflattering: "the inside person," "the old woman," "the one on the bed," "the children's mother," "the cook." One reason for the many expressions may be that until early this century it wasn't unusual for peasant women not to have given names. As they grew up, they were identified by numbers: second sister, fourth sister and so on.

"My mother didn't have a name, as far as I know," says an octogenarian friend who grew up in the countryside. I asked him what his father called his mother, and his brow furrowed. Then his face lit up. "'Hey,'" he said triumphantly. "He called her 'Hey.'"

Where English is particularly rich, and Chinese poor, is in the areas of science and democracy — the two slogans that since 1919 have been a rallying cry for change. Indeed, "science" and "democracy" are sometimes known as *S Xiansheng* (Mr. S) and *D Xiansheng* (Mr. D), to signify that they are foreign guests who still have not taken up Chinese residency.

Although law, *fa*, is an ancient concept in China, it historically wasn't a champion of individual rights but a means of punishment. Indeed, the only area of the law in which the Chinese language distinguishes itself linguistically is in the designation of punishments. *Gua* refers to execution by slicing (a convict literally cut into pieces); *yi* refers to the cutting off of a felon's nose. (Both are mercifully no longer judicial sentences.)

Most of China's political vocabulary is relatively recent. Chinese expressions for "freedom," "politics," "democracy" and "economy" are all only about a century old. And words like "individualism" or "privacy" still have a negative connotation in Chinese, reflecting the traditional lack of concern for individual rights.

English seems to have far more words that are sex-related than contemporary Chinese. No one knows if this is because Americans are obsessed with sex or because the Chinese take lots of cold showers -- hot-water heaters still being a rarity in China. A researcher in sexuality in Shanghai is stumped by the linguistic challenge of polling Chinese about their sexual practices. There are no common expressions for "foreplay" or "orgasm," and so surveys must resort to vaguer terms that people will at least understand. Instead of inquiring about the frequency of a "sexual high tide" — the technical term for "climax" — the surveys simply ask women how often they enjoy a "pleasant feeling."

Nicholas D. Kristof is chief of The New York Times bureau in Beijing. William Safire is on vacation.

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PERSONALS

M. At last I've reached higher ground, like you. Look westward, dear love, and know that I am there facing East and missing you more than I can say. I love you

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